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THE VALUE OF COMPETITIVE CONTRACTING

**By: Pamela A. Healy,
Sang Won Sok, and
Alejandro Ramirez
September 2014**

**Advisors: Elliott Yoder
Richard M. Nalwasky**

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THE VALUE OF COMPETITIVE CONTRACTING

Pamela A. Healy, Civilian, Department of the Army
Sang Won Sok, Civilian, Department of the Army
Alejandro Ramirez, Civilian, Department of the Navy

Submitted in partial fulfillment of the requirements for the degree of

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**NAVAL POSTGRADUATE SCHOOL
September 2014**

Authors: Pamela A. Healy
Sang Won Sok
Alejandro Ramirez

Approved by: Elliott Yoder
Richard M. Nalwasky, Commander, SC, USN 2

William R. Gates, Dean
Graduate School of Business and Public Policy

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THE VALUE OF COMPETITIVE CONTRACTING

ABSTRACT

In the environment of shrinking budgets, there is a trend toward competitive contracting. Research indicates that the government can achieve significant cost savings from competition among industry. This paper will determine how much cost savings could be achieved. It will also analyze numerous contract-related Government Accountability Office reports and provide a summary of the Better Buying Power initiatives. This paper will also identify circumstances that prohibit full and open competition and patterns where competition is most successful. Finally, this paper will provide recommendations to assist federal executives in maximizing competitive contracting and provide the knowledge needed help achieve mandates for improved efficiency and reduced costs.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACC	Army Contracting Command
ASD(A)	Assistant Secretary of Defense for Acquisition
ASD(R&E)	Assistant Secretary of Defense (Research & Engineering)
BBP	Better Buying Power
BOA	basic ordering agreement
BPA	basic purchase agreement
CAE	Component Acquisition Executive
CDSA	Combat Direction Systems Activity
CICA	competition in contracting act
COTS	commercial-off-the-shelf
DAG	Defense Acquisition Guidebook
DAU	Defense Acquisition University
DC	District of Columbia
DMDC	defense manpower data center
DOD	Department of Defense
DFARS	Defense Federal Acquisition Regulation Supplement
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
FEDBIZOPS	Federal Business Opportunities
FPDS	Federal Procurement Data System
FPDS-NG	Federal Procurement Data System—Next Generation
FSS	federal supply schedule/service
GAO	Government Accountability Office
GSA	General Services Administration
GWAC	government wide acquisition contracts
IDIQ	indefinite delivery-indefinite quantity
IT	information technology
J & A	justification and approvals
LPTA	lowest price technically acceptable
MAC	multiple award contracts

NAVSEA	Naval Sea Systems Command
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSA	Open Systems Architecture
PEO	Program Executive Office
EIS	Enterprise Information Systems
R&D	research and development
RFP	request for proposal
SB	small business
SBIR	Small Business Innovation Research
SDVOSB	service-disabled veteran-owned small business
SME	subject matter expert
TD	technology development

EXECUTIVE SUMMARY

The process of federal contracting officially began in 1795 when the Purveyor of Public Affairs Act authorized the federal government to purchase goods from private vendors. In 1861, advertised procurements were mandated for the first time by the Civil Sundry Appropriations Act. The Armed Services Procurement Act enacted in 1947, outlined procurement procedures for the U.S. Department of Defense (DOD) for all goods and services. The law required sealed bidding for government contracts and required the government to make awards to the lowest bidder that could fulfill the government's need (Perlman, 2007). For over 200 years, the federal government has met its need for goods and services by encouraging competition and increasing efficiency with the ultimate goal of maximizing the use of taxpayer dollars. Today, numerous laws and regulations require the federal government to award contracts based on full and open competition. This paper will determine the actual cost saving achieved from competition by analyzing and summarizing the data of over 50 competitive contract actions. It will also determine circumstances that prohibit full and open competition. The paper will identify patterns where competition is most successful and provide recommendations to help federal leaders garner successful savings through competitive contracting.

As the United States deficit continues to grow and the DOD budgets continue to shrink the most recent initiative titled the Better Buying Power (BBP) 2.0 aims “to achieve greater efficiency and productivity in defense spending” federal agencies are being required to reduce costs by improving efficiencies (Kendall, 2012). Specifically, BBP 2.0 focuses on the following seven focus areas: incentivize productivity and innovation in industry and government, eliminate unproductive processes and bureaucracy, promote effective competition, improve tradecraft in acquisition of services, and improve the professionalism of the total acquisition workforce. Although all seven focus areas are equally important, this thesis paper will focus on promoting effective competition through multi bid competitive contracting (Kendall, 2012).

This paper summarizes numerous reports on competitive contracting that have been released by the Government Accountability Office (GAO). The GAO reports

analyzed for this paper provided historical data and analyzed trends in federal contracting. GAO 10-833 reported that non-competed actions decreased by 16 percent from 2005 to 2009; however, contracts competed with one offer increased by six percent. During the same timeframe, overall competitive contracting increased (Hutton, 2010).

Often organizations are hesitant to initiate a full and open competition for fear that they will get an inexperienced vendor, unreliable product, or encounter a lengthy contract lead time that could negatively impact their schedule. Selecting the right evaluation strategy for each contracting action can help ensure that organizations receive the best quality of services to meet their needs while achieving a cost savings through competition. The contract lead time for full and open competition and best value awards is usually longer than for sole source and/or lowest price awards. Whenever possible, organizations should take advantage of existing contract vehicles to reduce contract lead time while allowing for best value awards (U.S. General Services Administration, 2009).

The General Services Administration (GSA) offers several options for organizations to shorten contract lead times by leveraging already awarded government wide acquisition contracts (GWAC). GWAC contract vehicles are indefinite delivery, indefinite quantity contracts that establish a maximum cost for a product or service and have been awarded via full and open competition to highly qualified vendors (U.S. General Services Administration, 2009).

The GAO reports proved that the competition rate is fluid when broken into categories such as products, research and development services, and non-research and development services. The probability of competition increasing or decreasing is not consistent across the different categories. The reports revealed that although the overall contracting dollars has decreased from 2010 to 2012, the percentage for fair opportunity given had a steady increase. In 2010, the fair opportunity was 85 percent; in 2011 it increased to 88 percent (Department of Defense, 2012). This trend reflects the positive impact that the BBP initiative is having on competitive contracting.

It was determined that organizations average a 20 percent cost savings on competed contracts. Researchers analyzed 56 contracts for agencies throughout the

government. 80 percent of the samples were from DOD sources and 20 percent were from non-DOD services. Overall, commodities seemed to yield a higher cost savings than services; however, the average remained at 20 percent. In an environment of shrinking budgets and increased mandates, such as BBP, it is in the best interest of organizations to do their best to achieve efficiencies. Competitive contracting is a proven solution to helping achieve sustainable cost savings.

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I. INTRODUCTION

A. BACKGROUND

Although the Department of Defense (DOD) has recently placed a significant amount of emphasis on the need to reduce the total ownership cost of systems being deployed on the battlefield, this is not a new concept. In 1979, the *Report to the Congress* by the Comptroller General of the United States submitted a comprehensive report that examined the Claims Processing System utilized by Medicare. The objective of the report was to showcase that more could be done to achieve greater efficiency in contracting for the Medicare Claims Processing process. Although the *Report to the Congress* by the Comptroller General is not directly related to the Government Accountability Office reports on DOD related contracting actions, there is a strong parallel between the affordability issues in 1979 and the affordability issues Dr. Carter outlined in his *Better Buying Power Memorandum* issued in 2010.

In 2010, the Under Secretary of Defense for Acquisition, Technology, and Logistics, Mr. Ashton B. Carter issued a memorandum for acquisition professionals. The subject of the memorandum was *Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending*. This begs the question; what has the United States government and the DOD been doing for the past 31 years that nothing appears to have improved in the way the government issues and administers contracts.

In 1979 the federal defense budget was \$143.7 billion compared to the federal defense budget in 2010, which was \$847.08 billion when Mr. Carter issued the *Better Buying Power* memorandum (Carter, 2010). Figure 1 captures the United States Defense budget from 1979 through the estimated defense budget in FY 2018. The figures show a steady increase in defense spending during the 1980s. This can be attributed to the increased defense spending during President Ronald Reagan's presidency. President Reagan was a strong supporter of the military and ensuring the United States was postured to defeat any threat that might challenge the American way of life. Figure 2 helps develop the perspective of how much the defense budget has increased over the

years. Figure 2 utilizes 2009 dollars to achieve a better comparison of the defense budget when inflation is taken into account.

The second major spike in defense spending begins in 2001. The defense budget increases significantly at a very steep expenditure rate. That is attributed to the terrorist attacks against the United States. The attacks on the World Trade Centers in New York City increased the defense spending to support the wars in Iraq and Afghanistan. The data in red is the estimated trend for defense spending (Figure 1). The data indicates that defense spending is going to be reduced in future fiscal years. This can be attributed to the conclusion of the Iraq and Afghanistan wars, sequestration, and adhering to Mr. Frank Kendall's *Better Buying Power 2.0* directive, which was released in 2013.

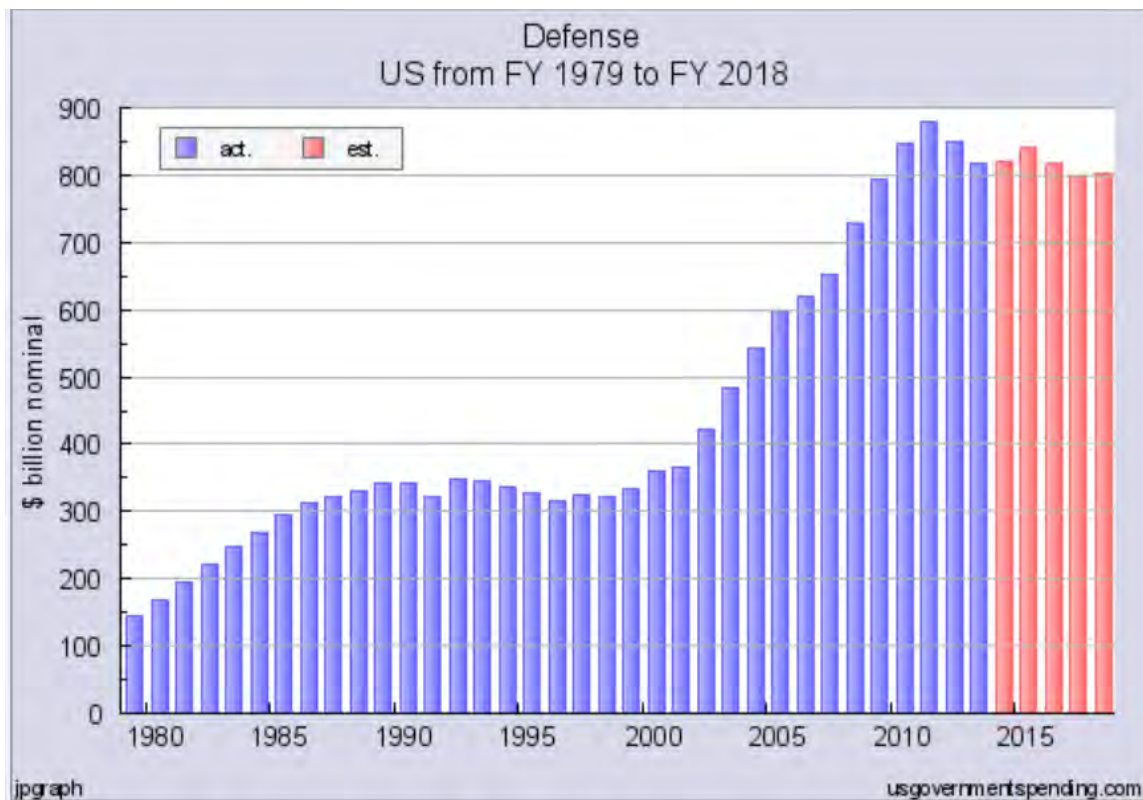


Figure 1. U.S. defense spending (from DOD, 2014)

The background on the defense spending creates a natural catalyst to the purpose we are creating this thesis. It is obvious by looking at Figure 2 that our defense spending

is out of control. The September 11, 2001 events are a significant contributor to what we are seeing in the data. None the less, we must continue to be good stewards of the American people's money.

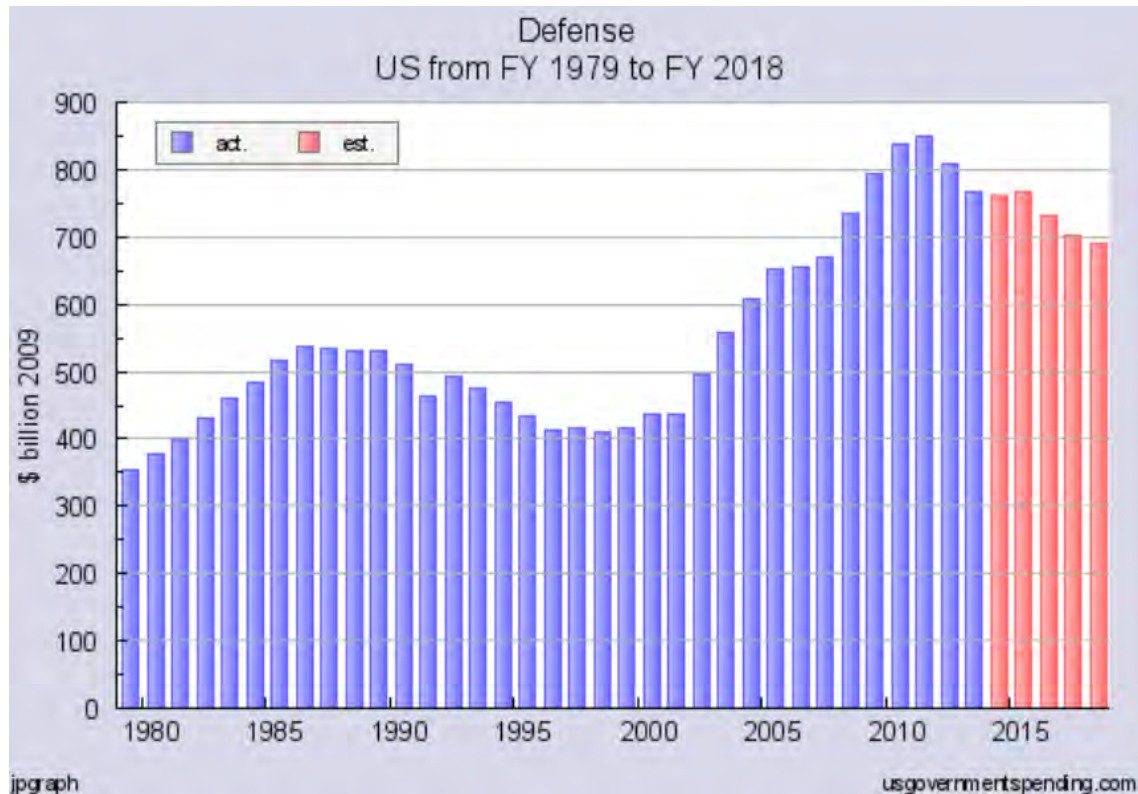


Figure 2. U.S. defense spending (from DOD, 2014)

B. PURPOSE

The purpose of this study is to validate the cost savings that can be achieved by increasing the number of vendors that respond to contract solicitations. As defense acquisition employees, studies show that there are cost savings (estimated at 20 percent) that can be achieved by increasing competition. The purpose of this thesis is to validate the studies and determine the actual cost savings that can be achieved by vendor competition. The intent is to evaluate the data that is collected, filter out elements that cannot be compared across vendors, and focus on the data that can be compared unilaterally across all the vendors placing a bid on the solicitation.

The DOD and the United States government is feeling the economic recession and requires measures to be implemented to assure affordability of the weapon systems, equipment, facilities, and support services. The restraints on the federal budget have led us to ask some very significant questions.

C. RESEARCH QUESTIONS

To assist the federal acquisition workforce in achieving their mission while progressing through the acquisition lifecycle, this thesis will address the following questions.

1. Primary Research Question

Do competitive contracts achieve a 20 percent cost savings to the government and ultimately the taxpayers?

2. Secondary Research Questions

- a. What prohibits the government from divesting from sole source contracting and awarding all contracts as full and open competition contracts?
- b. What information can we glean from the data to identify patterns where competition is most successful?
- c. What recommendations would help commands garner successful savings?

D. SCOPE/METHODOLOGY

The research will yield a comparative analysis of full and open competitive information technology (IT) contracts to corroborate the notion that there is a cost savings of approximately 20 percent when posted on Federal Business Opportunities (FEDBIZOPS) as a full and open competition solicitation. First, the team will collect and analyze data from an Army acquisition program as well as the General Services Administration (GSA). An analysis will be conducted to determine the average percent of cost saving that was achieved for each award. The contract samples will consist of commodities and services procured by IT programs. The sample size will not be limited to a certain business type. The sample data may contain a variety of business types

including large and small businesses, woman owned small, small disadvantage, section 8(a), etc.). The data may consist of multiple agencies across the DOD as well as non-DOD federal agencies.

Second, the team will analyze the quotes from multiple vendors of competitive contracting actions and determine the percentage of cost savings that is achieved from the highest bidder to the actual award value. If needed, weighted factors will be identified and then calculated through a percentage formula. The team will analyze the data to determine if competitive contracting results in a cost savings to the government by comparing the actual cost against the estimated costs.

Finally, the team will review various Government Accountability Office (GAO) reports and federal mandates and initiatives on contracting and cost savings. The purpose will be to consolidate the data from the GAO reports coupled with the authors' personal experiences to make recommendations for organizations working to achieve the greatest cost savings. The mandates will be reviewed to determine what restrictions and rules have been implemented related to contracts, cost savings, and competition.

E. ORGANIZATION OF THE THESIS

Chapter I of this research paper provides background to the problem and will define the research objectives and the methodology in which the research was conducted. Chapter II will identify data, literature, and reports used during this analysis. Chapter III will present the data and methodology used in the analysis. Chapter IV will discuss the discoveries of the analysis and provide recommendations for government officials to maximize cost savings.

This report provides a comprehensive summary to identify the goals of this thesis paper. Providing best value is critical to continue to afford the products and services purchased by the federal government and more specific the DOD.

F. SUMMARY

The federal government has a long history of relying on contracts to achieve goals. Acquisition programs are especially reliant on contracts to meet milestones and

accomplish their mission. Contracts are a significant element of schedules and the total cost of acquisition programs. Competitive contracting has been regulated, tracked and encouraged for over 35 years; however, the government is still utilizing non-competitive contracts. In March 1996, the DOD reported to Congress that competitive contracting had resulted in an annual savings of \$1.5 billion. Despite the cost savings from competitive contracting, recent GAO reports indicate that non-competitive contracting is on the rise within the DOD, which would contradict with the *Better Buying Power* (BBP).

Competitive contracting is designed to provide the federal government with the best value for products and services. Non-competitive contracting occurs when the government specifies the vendor to provide the goods and services. This is referred to as a non-competitive contract action or a sole source. One could argue that a sole source vendor has little incentive to offer the government a low price since the vendor is guaranteed to receive the award. One could also argue that the institutional knowledge held by the incumbent vendor is valuable and should be weighed.

This report will review competitive contract actions and determine the estimated savings obtained by the DOD. The report will also determine factors that prohibit the government from divesting from sole source contracting and awarding all contracts as full and open competition contracts.

II. LITERATURE REVIEW

A. CHAPTER INTRODUCTION

Chapter I provided a background for this research by explaining the *Better Buying Power* initiative by Under Secretary of Defense for Acquisition, Technology, and Logistics, Mr. Ashton B. Carter, and how it is linked to the thesis statement. This chapter will focus on the literature and concepts surrounding our data in support of our analysis. First, we will take a closer look at the *Better Buying Power Memorandums* and how they provide the framework in supporting full and open competition. The federal contract evaluation criteria will be discussed, particularly the best value and lowest price technically acceptable (LPTA). We will also review and explain the services offered by the GSA and determine if GSA provides benefits to helping meet the mandates. Finally, we will conclude with recommendations for government officials.

B. MEMORANDUMS ON THE BETTER BUYING POWER INITIATIVE

Dr. Ashton Carter was a visionary in terms of defense acquisition. He realized that defense spending was out of control and that measures had to be implemented to slow down defense spending by establishing a process to make our systems affordable yet reliable, available, and maintainable by our forces on the battlefield. He developed the *Better Buying Power* strategy to control defense spending by reducing total ownership cost.

1. Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending: 28 JUNE 2010

This memorandum was the introduction of the *Better Buying Power* initiative to the acquisition workforce and the foundation for the subsequent guidance memorandums (Carter, 2010). The Dr. Ashton Carter projected beyond being a nation at war with a defense budget not expecting to decline at the time, but to adopt efficient practices in managing the defense dollars. The focus of the memorandum: “delivering better value to the taxpayer and improving the way the Department does business” (Carter, 2010).

The Defense Department's spending at the time was approximately \$700 billion per year (Carter, 2010). Approximately \$300 billion of the defense budget was on supporting everyday operations from salaries and benefits to military and civilian personnel to buildings and facilities (Carter, 2010). The remaining \$400 billion was divided fairly equally between products (such as weapons, electronics, etc.) and services (such as information technology (IT) services, knowledge-based services, etc.) (Carter, 2010). The \$400 billion is what the BBP initiative focused on and sought to make that \$400 billion "stretch" as much as possible by gaining efficiencies (Carter, 2010).

The memorandum discusses two main ways of addressing the initiative:

- a. To reduce the funding to unneeded or low-priority overhead (such as unneeded programs and activities). Shift the funding to force structure and modernization to allow the warfighting capabilities grow at approximately three percent annually. Historically, the annual three percent rate of growth is needed to provide the warfighters what they need.
- b. In the programs and activities we need cost saving can be gained by becoming more efficient in the manner in which we conduct business. Essentially, the mantra of this initiative is to do more without more.

2. Guidance For Achieving Greater Efficiency On Procurements and Services

This memorandum was a direct follow-up to provide specific guidance to achieve the June 28, 2010 mandate. This guidance contained 23 principal actions to improve efficiency divided into five major areas.

- a. Target affordability and control cost growth
- b. Incentivize productivity and innovation in industry
- c. Promote real competition
- d. Improve tradecraft in services acquisition
- e. Reduce non-productive processes and bureaucracy

There are three principal actions under the third guidance Promote *Real Competition*:

- a. Present a competitive strategy at each program Milestone. This principal describes how each program must provide a competitive strategy even if it is not the typical head-to-head competition. Whether it is to re-gain

competition in an unproductive sole source situation or to adapt commercial products, the directive is to have some sort of competition strategy engrained by each Milestone.

- b. Remove obstacles to competition. The memorandum states that DOD has achieved the highest rate of competition in the recent years in its history; however, a significant portion of it was considered to be “ineffective competition.” This means that a solicitation was publicized under full and open competition; however, only one bidder was received. Since each service component and agency has a competition advocate, it directed that each advocate create a plan to improve on two areas; 1) the overall rate of competition 2) the rate of effective competition. The expectation that the competition improvement rate should be at least two percent per year and the effective competition improvement rate should be at least 10 percent per year. The directive of improving the overall rate of competition is meant for each Service to increase the number of competitive contracts overall by two percent. However the effective competition improvement rate, which is just as important, refers to reducing the number of competitive contracts that only have one bidder and by increasing by 10 percent per year in having “real competitive contracts” by having more bidders from industry bid.
- c. Increase dynamic small business role in defense marketplace competition. Since small businesses hire over 65 percent of all new jobs and hold more patents than all of the nation’s universities and large corporations combined, the importance of small businesses is definitely recognized. Therefore, this directive emphasized small business utilization by weighting factors in past performance and in fee construct.

3. Pressure To Obtain Greater Efficiency In Defense Spending

The Under Secretary of Defense for Acquisition, Technology and Logistics, Mr. Frank Kendall, issued the *Better Buying Power 2.0 Memorandum*. The *Better Buying Power 2.0* provides a status of the progress accomplished since Dr. Ashton Carter, former, the Under Secretary of Defense for Acquisition, Technology and Logistics issued guidance to the acquisition community. Mr. Kendall indicates that the acquisition community is making significant progress on the initiatives to increase efficiencies in order to “do more without more.” He states that the acquisition community has learned from experience but still has significant work to do to accomplish greater efficiencies and productivity in defense spending.

The *Better Buying Power* encompasses 36 initiatives that are divided into seven focus areas. The focus of *Better Buying Power 2.0* remains the same as the original *Better Buying Power*. The focus continued on the ability of the defense acquisition workforce to deliver better value to the American taxpayer and to provide the most advanced capabilities to the warfighter by improving the acquisition process utilized by the defense acquisition workforce.

The *Better Buying Power 2.0* focuses on the following seven focus areas: incentivize productivity and innovation in industry and government, eliminate unproductive processes and bureaucracy, promote effective competition, improve tradecraft in acquisition of services, and improve the professionalism of the total acquisition workforce. Although all seven focus areas are equally important, for the purpose of this thesis paper, we will focus on promoting effective competition through multi bid competitive contracting.

4. Better Buying Power Implementation Strategy to Achieve Greater Efficiency in Defense

This memorandum is follow-on from the November 13, 2012 memorandum by Mr. Frank Kendall. This memorandum, as the title suggests, is the implementation directive for each of the major areas from the previous *Better Buying Power 2.0* memorandum. The section titled promoting effective competition was divided into four specific sub-focus areas with both a general guidance and specific actions. The following are the four sub-focus areas with highlights on the specific actions:

- a. Emphasizing competition strategies and creating and maintaining competitive environments—Required the Component Acquisition Executives (CAE) to ensure that competition is considered, both directly and indirectly, when the acquisition strategy are being developed and in each acquisition decisions.
- b. Enforce open system architectures (OSA) and effectively manage technical data rights—Directed that OSA and technical data rights guidance be updated in several publications (e.g., DFARS, OSA Contract Guidebook for PMs version 1.1, etc.) and training material in Defense Acquisition University (DAU).
- c. Increase small business roles and opportunities—Directed the Director of the Small Business Program to participate and review updated training

with the partnership of DAU, acquisition strategies and technology development strategies, identify deficiencies, and develop comprehensive procurement forecasts. Additionally, the CAEs are required by Small Business Innovation Research (SBIR) Reauthorization Act of 2011 will apply incentives for contracts over \$100 million.

- d. Use the Technology Development (TD) phase for true risk reduction—ASD(R&E) will provide draft guidance for technology readiness assessments and pre-milestone engineering and integration risk reviews. Also with the partnership with ASD(A), they will codify in the DAG best practices for TD phase risk reduction.

5. Better Buying Power Four Years on: Is it Making a Difference?

The *Better Buying Power* initiatives that Dr. Ashton Carter and Mr. Frank Kendall initiated have been in existence for four years. The most anticipated question regarding the *Better Buying Power* is whether the initiative is actually making a difference. Mr. Kendall answers that question with a “qualified yes.” Mr. Kendall utilizes Marine One helicopter as an example of the benefits of *Better Buying Power* (Kendall, 2014). When President Barrack Obama was elected, one of his first initiatives was to cancel the Marine One replacement helicopter. President Obama stated that the cost of Marine One was too expensive and the cost outweighed the need to replace the Marine One Helicopter (Kendall, 2014).

President Barrack Obama is on his second presidential tour and the need to replace the Marine One helicopter has resurfaced. The lessons learned from the *Better Buying Power* initiatives are being used to achieve affordability. The measures being utilized to achieve affordability are: Establishing Affordability Caps for Investment and Sustainment, Controlling Life Cycle Cost, Incentivizing Productivity, Streamlining Management and Processes, Promoting Competition, and Improving Professionalism (Kendall, 2014).

As mentioned earlier, the focus of this paper is promoting competition. The Marine One acquisition team issued a competitive solicitation. Ironically, there was only one bidder on the solicitation. Although only one solicitation was received, the acquisition team created an environment for competition thus creating an environment that cast pressure on the sole bidder to submit a competitive bid. If the contract would

have been solicited as a sole source contract, the contractor would have no incentive to reduce his or her cost proposal. The threat of competition renders a cost saving even when only one bid is received. (Kendall, 2014)

C. FEDERAL CONTRACT EVALUATION CRITERIA

Per the Defense Acquisition University (DAU), proposal evaluation is the assessment of a proposal to determine the offeror's ability to successfully perform the prospective contract ("Proposal Evaluation," n.d). It is also used to determine a fair and reasonable price for the contract requirement. The evaluation criteria must be specified in the request for proposal (RFP). This project will review best value and lowest price technically acceptable (LPTA) and explain instances where awarding to the lowest price vendor is not always in the best interest of the DOD ("Proposal Evaluation," n.d).

1. Best Value

This project will use the DAU explanation for best value. Best value refers to competitive, negotiated procurements in which the government reserves the right to select the most advantageous offer to the government by evaluating and comparing factors in addition to cost or price. Best value procurement enables the government to purchase technical superiority even if it means paying a premium price. A "premium" is the difference between the price of the lowest priced proposal and the one which the government believes offers the best value.

The Competition in Contracting Act of 1984 (CICA), as amended, provides the statutory basis for conducting best value procurements. In order to successfully award a contract using best value evaluation criteria, organizations must ensure the solicitation contains clear and unambiguous descriptions of each significant factor and its relative importance.

2. Lowest Price Technically Acceptable

When the lowest price technically acceptable (LPTA) is the selected evaluation criteria, award will be made to the offeror whose price is lowest among all proposals that were deemed to be technically acceptable. With IT equipment, the procuring organization

outlines the technical specifications for the equipment. Once proposals are received from vendors, the procuring organization must determine if the item quoted by the vendor meets each of the technical specifications. This can be a lengthy process and it may require the vendor to provide a sample of the items for testing. DAU did a nice job at explaining the criteria surrounding LPTA. Specifically, DAU explained:

- a. LPTA does not permit trade-offs between price/cost and technical factors.
- b. Determining best value using the LPTA method is appropriate when the requirement is not complex and the technical and performance risks are minimal. LPTA is suitable for acquisitions where service, supply, or equipment requirements are well defined and there is little difference among competing products or services.
- c. The evaluation factors and significant sub-factors that establish the requirements of acceptability must be set forth in the solicitation. The solicitation must specify that award will be based on the lowest evaluated price of proposals meeting or exceeding the acceptability standards for non-cost factors (FAR 15.101-2).
- d. If factors such as labor mix and level of effort are important evaluation factors, the RFP must require that these areas be clearly quantified and addressed in the proposal.
- e. LPTA is not appropriate for cost type contracts.

D. GENERAL SERVICES ADMINISTRATION (GSA) GOVERNMENT WIDE ACQUISITION CONTRACTS (GWAC) DESCRIPTION

Individuals who have worked for the federal government, especially an acquisition program, have relied on contracts to meet their mission. The contracting process can be lengthy, challenging and fraught with obstacles. As previously stated, numerous regulations require competitive contracting. Ultimately, competitive contracting is designed to help achieve the greatest value for the taxpayers' dollars. Due to the lengthy contracting process, organizations are challenged with balancing their schedule, requirements, and need.

The Federal Property and Administrative Services Act of 1949 established the GSA. Among others, the act also specifically required that purchase prices for architectural and engineering services be negotiated with the top three qualified firms. Today, GSA has developed contracting options. The GSA has developed contracting

options for federal agencies to help mitigate the contracting process. GSA offers multiple award schedule (MAS) contracts, including the GSA schedule contract, which is a government-wide acquisition contracts (GWAC). This benefits the federal government by streamlining and simplifying the contracting process thereby assisting acquisition programs in receiving essential goods and services and reducing the negative impact on critical acquisition schedules. (U.S. General Services Administration, 2014)

The GSA schedule contract is an indefinite delivery, indefinite quantity (IDIQ) long-term contract under the MAS. The GSA schedule is also referred to as the federal supply schedule or GSA contract. GSA awards schedule contracts to companies that offer commercial-off-the-shelf (COTS) products and services. Construction services, firearms and ammunition are not permitted on the GSA schedule contract. GSA schedule contracts contain pre-negotiated prices, warranties, terms and conditions. Contractors must go through a lengthy proposal process to be assigned a GSA contract number.

The government also benefits from using GSA contracts since GSA requires vendors to pass a thorough review of past performance, capabilities, financial stability, and commercial sales practices. GSA negotiates discounted rates and establishes a GSA schedule price list. The GSA boasts that the GSA Schedule Contract is the most widely used government contract vehicle. We can confirm through our personal, on-the-job experience that buying off the GSA schedule reduces contract lead time.

In FY2012, federal, state, and local government spent over \$37 billion through GSA contracts (“Government Frequently Asked,” 2014). The data cited herein documents the cost savings achieved from approximately 50 GSA GWAC contracts. The data proves the cost savings that can be achieved by utilizing competition. GSA is considered a viable option for agencies requiring COTS products or IT services. (“Government Frequently Asked,” 2014)

E. SUMMARY

In summary, the BBP initiatives have remained critical through several administrative terms spanning multiple years. The fact that BBP continues to be revisited, strengthened and promoted indicates that organizations will be held accountable for

“doing more without more.” In order to succeed in this climate, it is in the best interest of organizations to embrace the mandates and make real, meaningful changes that yield efficiencies.

Promoting real, effective competition in contracting can help organizations achieve the mandated cost savings. As evidenced in the example provided regarding the Marine One helicopter, the threat of competition encourages vendors to reduce the total cost to the lowest possible amount. When an award is made to a sole sourced vendor, that vendor has little incentive to discount the price.

Often organizations are hesitant to initiate a full and open competition for fear that they will get an inexperienced vendor or unreliable product. Selecting the right evaluation strategy for each contracting action can help ensure that organizations receive the best quality of services to meet their needs while achieving a cost savings through competition. Lowest price is often not in the government’s best interest. While it may ensure the government pays the least amount for a product initially, the long-term costs due to technological or contractor inexperience could outweigh the initial cost savings.

Selecting a source based on best value allows the government to select the most advantageous offer by evaluating and comparing factors in addition to cost. Our personal on-the-job experience indicates that organizations tend to steer away from full and open competition and best value award criteria when faced with short timelines and schedule delays. The contract lead time for full and open competition and best value awards is usually longer than for sole source and/or lowest price awards. Whenever possible, organizations should take advantage of existing contract vehicles to reduce contract lead time while allowing for best value awards.

The GSA offers several options for organizations to shorten contract lead times by leveraging already awarded GWAC. GWAC contract vehicles are IDIQ contracts that establish a maximum cost for a product or service and have been awarded via full and open competition to highly qualified vendors. As specific organizations identify

requirements, vendors compete again and typically discount their quotes to ensure they are lower than the previously established award amounts. GSA is a viable option for helping meet the initiatives in the BBP.

III. DATA PRESENTATION

A. GOVERNMENT ACCOUNTABILITY OFFICE REPORTS

A review of several GAO reports on the subject of competition and contracting was performed. The following section will provide a summary of those reports.

1. GAO-10-833 Federal Contracting—Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer Is Received

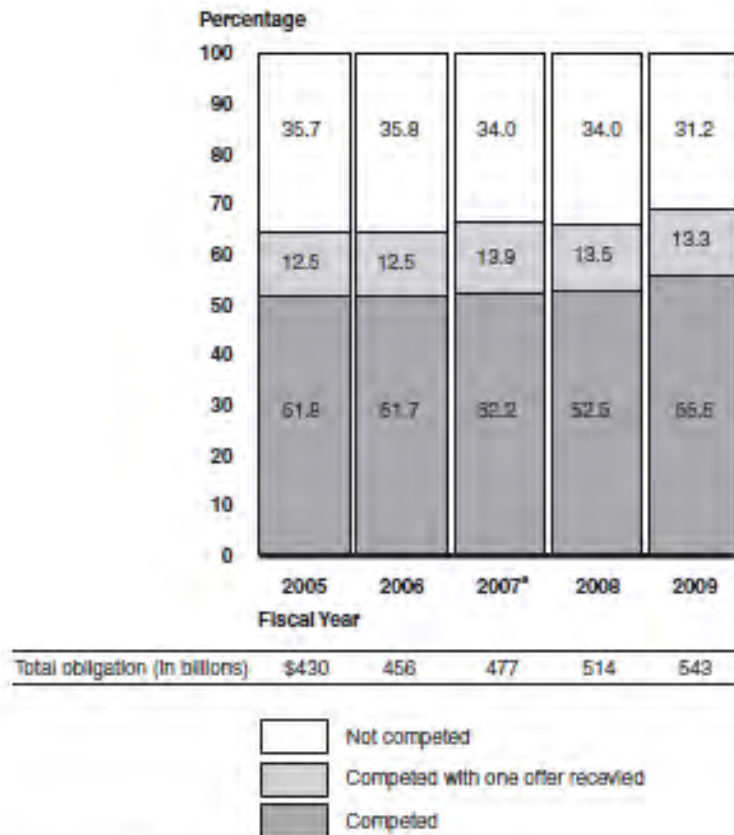
The 2010 GAO report provided some critical background information that has helped shape the current competition status in DOD. The report mentions the Competition in Contracting Act (CICA) in 1984, which required all federal agencies to obtain goods and services via a full and open competition using competitive procedures; however, there were exceptions written into the CICA. There are seven circumstances in which agencies do not have to conduct a full and open competition as described in the Federal Acquisition Regulations (FAR) Subpart 6.3.

The executive and legislative branches have taken several steps to reinforce and encourage competition. The following are some executive examples:

- a. Office of Federal Procurement Policy (OFPP) recognizes although full and open competitions are conducted there may only one offer; therefore, agencies are required to separately record those instances as “noncompetitive procurements using competitive procedures.”
- b. Additionally, in May 2007 the OFPP required that each executive agency have a competition advocate. The competition advocate is required to submit an annual report recommending goals and plans for improving competition to their senior procurement executive and chief acquisition officer.
- c. In May 2009, OMB instructed agencies to reduce the total dollars obligated to high-risk contracts, such noncompetitive contracts and competitive contracts with only one offer, by 10 percent in fiscal year 2010.
- d. By October 2009, OFPP followed up with guidelines for agencies to evaluate the effectiveness of their competition practices.
- c. The following are some examples of legislative actions from 2008:

1. Noncompetitive awards need to be publicly posted per the National Defense Authorization Act for Fiscal Year 2008
2. Enhanced competition for task orders on multiple award contracts per the National Defense Authorization Act for Fiscal Year 2008
3. Major defense acquisition programs are required to include acquisition strategies with measures to ensure competition throughout the life cycle of the program per the Weapon Systems Acquisition Reform Act
4. Justifications, approvals, and notices are required for sole source contracts over \$20 million awarded under the authority of Small Business Act (SBA) 8(a) program

With all of the above measures in place, Figure 3 indicates that the noncompetitive contracts decreased from 35.6 percent to 31.2 percent between the fiscal years of 2005 through 2009, although the noncompetitive procurement using competitive procedures stayed steady at 13 percent (Hutton, 2010). The total obligations reported in the Federal Procurement Data System—Next Generation (FPDS-NG) during the same timeframe increased from \$430.6 billion to \$543.6 billion (Hutton, 2010).



Source: FPDS-NG.

*For fiscal year 2007, the percent is more than 100 percent due to rounding.

Figure 3. DOD spending 2005–2009 (from GAO, 2010)

The 2010 GAO 10-833 report collected a sampling across all federal agencies and focused on 74 noncompetitive contracts and according to the exceptions referenced in the FAR part 6.3 (Hutton, 2010). The agencies used a variety of exceptions across the board; however, 42 out of the 74 as shown in Figure 4 were based on FAR 6.302-1, which refers to the exception of “only one responsible source” (Hutton, 2010). The second notable exception in Figure 4, which was composed of 20 out of the 74, was based on FAR 6.302-5, which authorized by statute, specifically, sole source authority through the 8(a) program (Hutton, 2010).

FAR authority cited	Only one responsible source	Industrial mobilization; engineering, developmental or research capability; or expert services	International agreements	Authorized by statute, specifically sole source authority through the 8(a) program	National Security	Limited sources justification and approval for orders under GSA schedules contracts	Exception to fair opportunity for orders under multiple award contracts	Total
Number of noncompetitive contracts in our sample	42	1	2	20	3	4	2	74

Source: GAO analysis of agency contract files.
Note: We reviewed the justification or other contract documentation in the IDIQ contract files or the order files to determine the exceptions to competition that were used.

Figure 4. Contract FAR authority citations (from GAO, 2010)

A few other notable reasons why some agencies inhibit competition are the following:

- Lack of access to proprietary technical data (the government did not procure the technical data from the original contractor)
- Reliance on the technical knowledge and the understanding of the requirements from incumbent contractors
- Inadequate acquisition planning (providing insufficient time for the contractors to properly define the requirements and adequately conduct market research)
- Overly restrictive and specific government requirements can limit the number of offers

The 2010 GAO report provided examples of some agencies actively seeking to improve competition. A few examples were based on the Army, Navy and Coast Guard breaking out pieces of requirements from past sole source procurements. Only the Coast Guard’s example noted an approximate amount of cost savings of \$13 million (Hutton, 2010). Another great example was about the Air Force, when at the threat of competition was heard by the incumbent, they “sharpened their pencils,” which resulted in cost savings as well as improved delivery schedules.

The GAO (2012) report had three recommendations to the OFPP as listed below:

- Determine whether the FAR should be amended to require agencies to regular review and critically evaluate when contracts are competed, but only receive one offer. Implement steps to increase the likelihood of multiple offers with the results documented in the contract file.
- In an effort to invigorate the competition advocate’s role, provide guidance to the agencies when selecting a competition advocate such as

the placement, types of skill sets, and the potential methods in which to effectively carry out the duties.

- c. Direct agencies to require their competition advocates to actively involve the program offices by providing insight to potential opportunities to increase competition.

2. GAO-12-384, DEFENSE CONTRACTING—Competition for Services and Recent Initiatives to Increase Competitive Procurements

The focus of this GAO report, released in March 2012, was similar to past GAO reports. The report analyzed:

- a. How competition rates of services compared to the competition rate of products and the trends in competition for services
- b. Finding any new reasons for noncompetitive contracts and task orders for services
- c. To see if any other steps were taken by DOD in order to increase competition. GAO defines competition rates as dollars that are obligated under competitive contracts and task orders as a percentage of all obligations

As displayed in Figure 5, in 2011, DOD obligated \$375 billion on contracts and more than half were on services, particularly with the non-R&D services (Hutton, 2014).

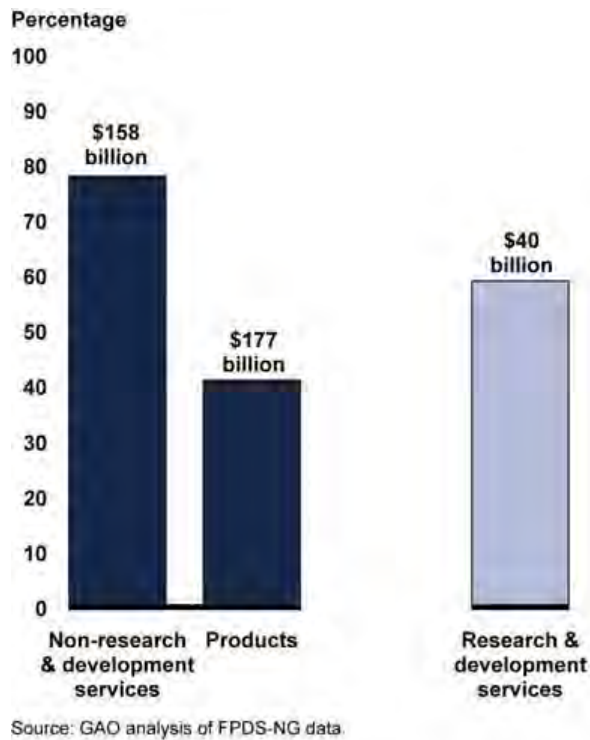


Figure 5. Competition rates (from GAO, 2012)

Between the fiscal years of 2007 and 2011, the competition rates for non-research and development (R&D) services have been steady around 80 percent and have not significantly changed across the DOD (see Figure 6). However, for the Air Force the competition rate for non-R&D dropped from 75 percent to 59 percent (Hutton, 2014). The Air Force competition advocate was assessing to better understand the anomaly for the lower competition rates.

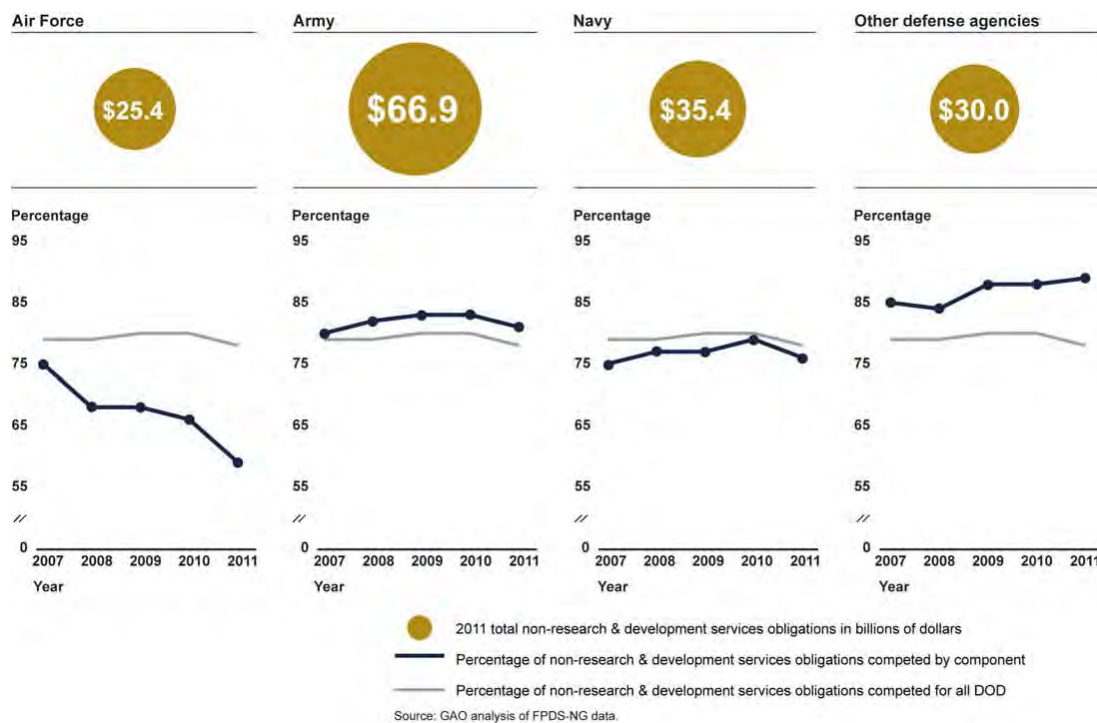


Figure 6. Competition percentage rates (from GAO, 2012)

Similar to previous GAO reports, the top reasons for what causes the majority of DOD noncompetitive obligations for non-R&D services in fiscal year 2011 were due to certain contractors being the only responsible source for the procurement. With the second top reason being “authorized by statute” and one of the main examples awards under the Small Business Administration 8(a) business development program. The other factors that reduced competition were identified in previous reports as well such as contractors having specific expertise and controlling the data rights, influences from the program offices themselves, and unanticipated events such as bid protests.

DOD has taken actions to increase competition and especially on the “effective competition” in where only one offer is received within a competitive contract solicitation. DOD has implemented requirements to provide additional response time when the solicitation provided less than 30 days for receipt of the proposal. GAO did not provide any new recommendations from the previous reports.

3. GAO-13-325, Defense Contracting—Actions Needed to Increase Competition

GAO report 13-325 was released on March 28, 2013 and stated that competition is the cornerstone of a sound acquisition process and a critical tool for achieving the best return on investment for taxpayers. There are significant benefits achieved when competition is used to acquire goods and services from the private sector. Competitive contracts can help save the DOD, the military, and the taxpayer money, conserve scarce resources, improve contractor performance, curb fraud, and promote accountability for results. In fiscal year 2012, DOD obligated \$359 billion through contracts and task orders, of which 57 percent was competed with multiple offers (Courts, 2013). In recognizing the need to make more efficient use of scarce resources, DOD's 2010 *Better Buying Power* and the *Better Buying Power 2.0* initiative placed an emphasis on maximizing opportunities for competition in the acquisition of products and services. (Courts, 2013)

The goal of the federal statute and acquisition is to promote full and open competition but full and open competition is not always feasible. The federal regulations have provisions for other than full and open competition. Sometimes the requirement to award to a small business prohibits full and open competition. When a contract package is created for a contract that is other than a full and open competitive contract, a justification and approvals (J&A) document must be created and approved before a noncompetitive contract is awarded. The DOD awards billions of dollars annually using full and open competition solicitations and only one contractor submits a bid on the solicitation. The DOD considers this "ineffective competition" and the Office of Management and Budget (OMB) considers this a high risk (Courts, 2013).

4. GAO-14-395, Defense Contracting—Early Attention in the Acquisition Process Needed to Enhance Competition

The GAO 14-395 report released in May 2014 expanded on the GAO-13-325, *Defense Contracting—Actions Needed to Increase Competition* report. The GAO-14-395 defense contracting report analyzed the contracting practices and contract awards issued by the Air Force, Army, Navy, and Missile Defense Agency (MDA). The Air Force has

made the most significant strides in promoting full and open competition. The Air Force has some long standing sole source contracts and noncompetitive foreign military sales (FMS) but is increasing competition by reducing the number of new programs that prohibit full and open competition. The Army has the highest competition rate (66 percent) of the four services analyzed (Woods, 2014). The MDA had the lowest competition at 29 percent. The MDA's low competition rate is attributed to a 2.7 billion dollar noncompetitive FMS award (Woods, 2014). The Navy's competition rate decline is attributed to the continued investments of the F-35 Joint Strike Fighter, the P-8A Poseidon long-range maritime patrol aircraft, and the carrier construction. This data is displayed in Figure 7.

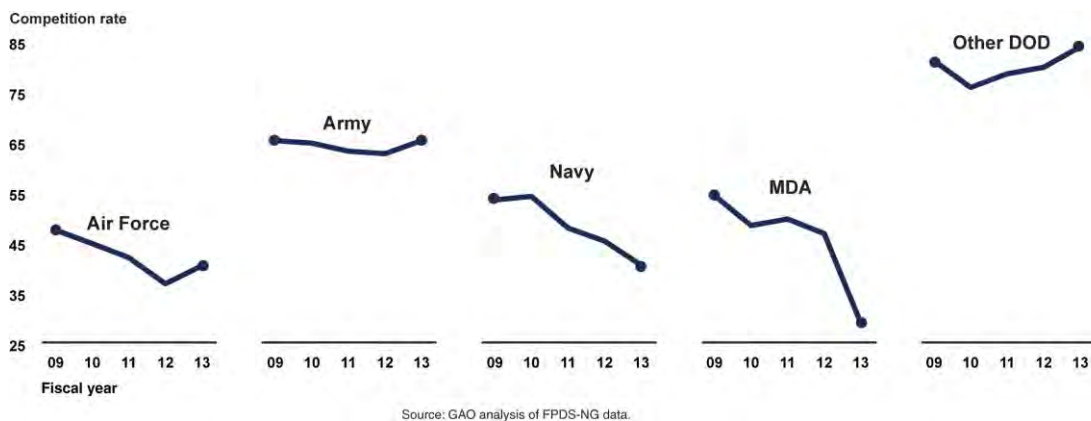


Figure 7. DOD competition rates (from GAO, 2012)

Although the *Better Buying Power* initiative began in 2010, nothing ever happens quickly in the United States government. As you can tell from the Figure 9 below, the competition rate has been on a decline since 2009. In 2012 and 2013, it appears that the decline in competitive contracting has leveled off. The competitive contracting report for 2014 will be a pivotal benchmark for competitive contracting. It will be interesting to see if full and open competition begins to rise in 2014.

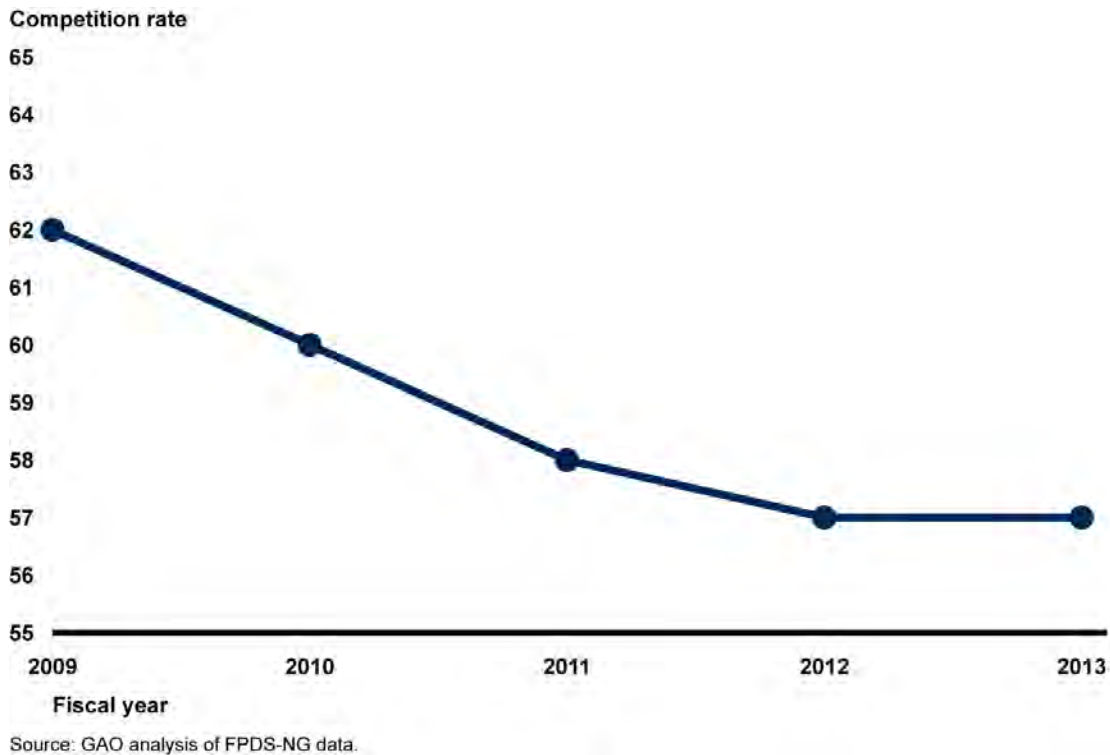


Figure 8. DOD contract competition rate (from GAO, 2012)

The data displayed in Figure 9 indicates that \$57.6 billion dollars was placed on contract and only 39 percent of products were competitively awarded in 2013. The decline is attributed to the weapon systems, aircraft, and ships being procured, which had only one responsible bidder, lack of government owned technical data packages, and foreign military sales customers requesting a specific company be awarded the contract. The research and development initiatives have begun to increase competition. The Air Force terminated new programs that did not lend themselves to full and open completion. Historically, the DOD selects the original equipment manufacturer (OEM) for future procurement of the systems that would generally include sustainment. The sustainment cost is the most expensive phase in the systems lifecycle. One could argue that with sustainment being the most expensive phase, it is the area where organizations could experience the greatest cost savings from competition. Organizations would have to build contracts that allow for competition while ensuring compatibility and integration into previously fielded systems.

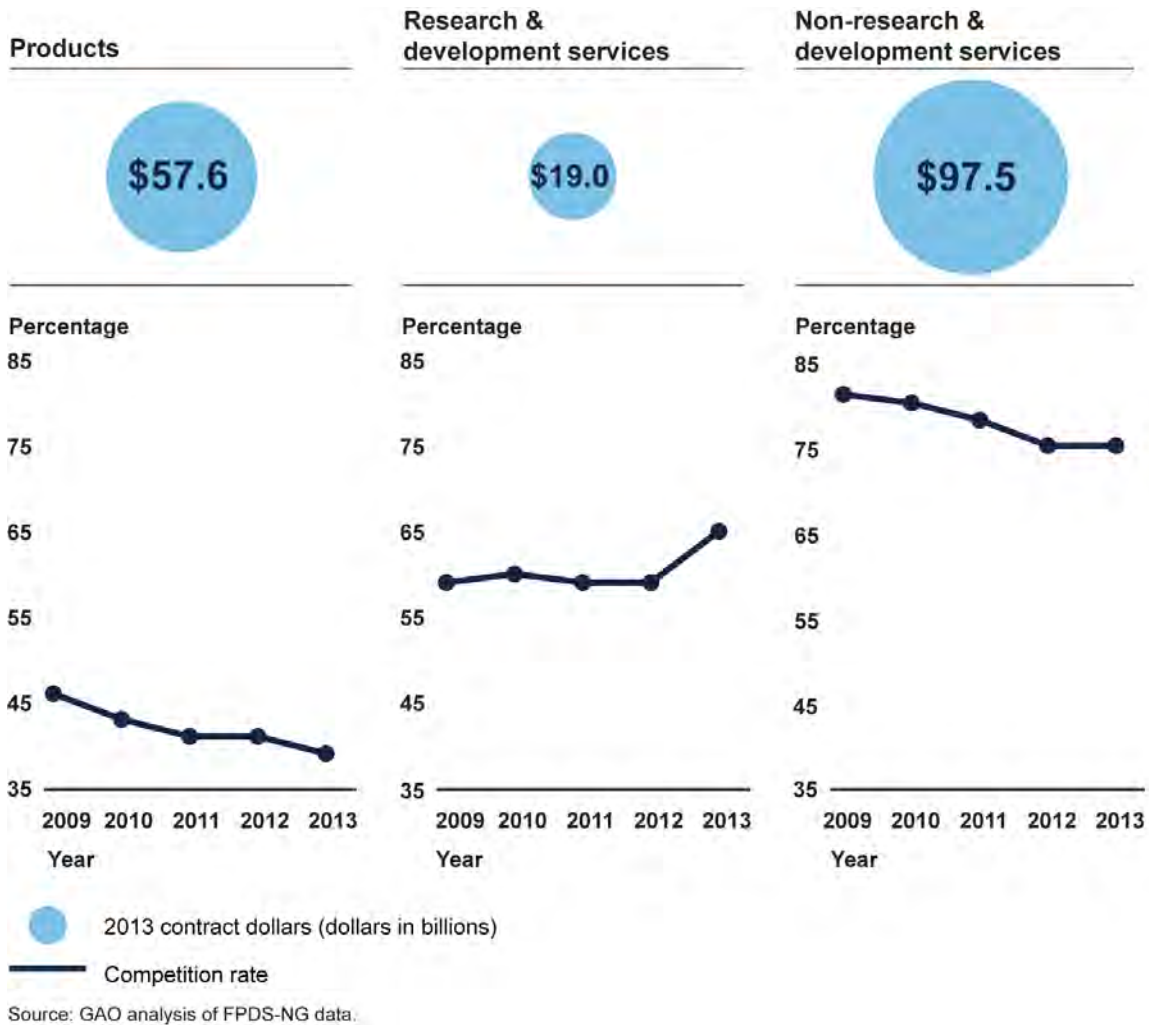


Figure 9. Competition percentage rate (from GAO, 2012)

The Government Accountability Office utilized the Federal Procurement Data Systems-Next Generation database for the analysis conducted in Figures 5, 6, and 7. This team found the database on the internet and requested and received an account. The data for Figure 5 was queried in the database and the data was deemed accurate. After independently verifying the data in Figure 5, the team agreed that querying the other figures would render no additional benefit.

B. DEPARTMENT OF DEFENSE REPORTS

The 2010 DOD reports provide competition data to access the level of competition across the various services. In addition to the level of competition, the data is also parsed by the number of bidders for defense contracts.

1. DOD FY 2010 Competition Report

As referenced in the competition report from the previous year, the *DOD Competition Report for FY 2010* identified an important change in reporting methodology between the pre-FY 2010 reports to the FY 2010 reports. In the pre-FY 2010 reports, orders under multiple award contracts were counted as competitive based on how the initial contract award was coded in Federal Procurement Data System (FPDS). In the 2010 competition report fair opportunity was provided at the order level and only considered orders to be competed if fair opportunity was given. As evident in Table 2, there was a two percent decrease in the overall DOD competition in FY 2010 using the new competition report methodology. Table 1 below reflects the competition as reported in the original report.

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	\$ 140,167,548,921	\$ 95,157,587,529	68%
DEPT OF THE NAVY	\$ 87,622,721,744	\$ 49,547,117,000	57%
DEPT OF THE AIR FORCE	\$ 64,911,405,124	\$ 35,324,004,720	54%
DEFENSE LOGISTICS AGENCY	\$ 34,910,483,099	\$ 27,623,032,910	79%
BUSINESS TRANSFORMATION AGENCY	\$ 80,604,686	\$ 61,837,614	77%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	\$ 1,176,399,960	\$ 1,027,468,394	87%
DEFENSE COMMISSARY AGENCY	\$ 6,210,769,425	\$ 1,221,311,459	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	\$ (143,360,496)	\$ (127,734,399)	89%
DEFENSE FINANCE AND ACCOUNTING SERVICE	\$ 287,194,762	\$ 258,582,627	90%
DEFENSE HUMAN RESOURCES ACTIVITY	\$ 31,833,527	\$ 23,779,312	75%
DEFENSE INFORMATION SYSTEMS AGENCY	\$ 5,122,140,083	\$ 4,429,936,043	86%
DEFENSE MEDIA CENTER	\$ 131,844,888	\$ 115,362,597	87%
DEFENSE MICROELECTRONICS ACTIVITY	\$ 522,601,867	\$ 516,118,621	99%
DEFENSE SECURITY COOPERATION AGENCY	\$ 55,546,259	\$ 48,984,955	88%
DEFENSE SECURITY SERVICE	\$ 66,984,499	\$ 65,814,395	98%
DEFENSE THREAT REDUCTION AGENCY	\$ 951,759,811	\$ 820,923,450	86%
DEPT OF DEFENSE EDUCATION ACTIVITY	\$ 315,517,499	\$ 290,706,336	92%
MISSILE DEFENSE AGENCY	\$ 5,354,384,425	\$ 2,898,654,978.51	54%
TRICARE MANAGEMENT ACTIVITY	\$ 10,915,953,063	\$ 9,894,459,110	91%
U.S. SPECIAL OPERATIONS COMMAND	\$ 2,497,582,753	\$ 1,743,175,729	70%
UNIFORMED SERVICES UHS	\$ 49,650,482	\$ 19,421,807	39%
USTRANSCOM	\$ 4,705,632,145	\$ 4,640,896,792	99%
WASHINGTON HEADQUARTERS SERVICES	\$ 807,736,222	\$ 743,826,025	92%
TOTAL DOD	\$ 366,752,934,746	\$ 236,345,268,002	64%

Table 1. FY 2010 competition report (from DOD, 2011, p. 3)

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	\$ 140,082,701,430	\$ 89,772,235,804	64%
DEPT OF THE NAVY	\$ 87,514,805,889	\$ 47,694,527,509	54%
DEPT OF THE AIR FORCE	\$ 64,901,132,610	\$ 34,175,795,576	53%
DEFENSE LOGISTICS AGENCY	\$ 34,798,640,720	\$ 27,430,886,454	79%
BUSINESS TRANSFORMATION AGENCY	\$ 80,604,666	\$ 58,442,134	73%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	\$ 1,176,399,960	\$ 1,022,928,229	87%
DEFENSE COMMISSARY AGENCY	\$ 6,210,769,425	\$ 1,220,848,411	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	\$ (143,360,496)	\$ (124,394,882)	87%
DEFENSE FINANCE AND ACCOUNTING SERVICE	\$ 287,194,762	\$ 157,748,521	55%
DEFENSE HUMAN RESOURCES ACTIVITY	\$ 31,833,527	\$ 22,086,514	69%
DEFENSE INFORMATION SYSTEMS AGENCY	\$ 5,120,269,331	\$ 4,180,133,120	82%
DEFENSE MEDIA CENTER	\$ 131,780,476	\$ 113,422,714	86%
DEFENSE MICROELECTRONICS ACTIVITY	\$ 522,601,867	\$ 434,545,423	83%
DEFENSE SECURITY COOPERATION AGENCY	\$ 55,546,259	\$ 45,644,253	82%
DEFENSE SECURITY SERVICE	\$ 66,984,499	\$ 64,458,691	96%
DEFENSE THREAT REDUCTION AGENCY	\$ 951,759,811	\$ 730,208,089	77%
DEPT OF DEFENSE EDUCATION ACTIVITY	\$ 315,472,089	\$ 286,459,541	91%
MISSILE DEFENSE AGENCY	\$ 5,354,384,425	\$2,898,654,979	54%
TRICARE MANAGEMENT ACTIVITY	\$ 10,915,953,063	\$ 9,893,553,423	91%
U.S. SPECIAL OPERATIONS COMMAND	\$ 2,493,107,403	\$ 1,590,707,008	64%
UNIFORMED SERVICES UHS	\$ 49,650,482	\$ 18,544,281	37%
USTRANSCOM	\$ 4,705,632,145	\$ 4,601,604,285	98%
WASHINGTON HEADQUARTERS SERVICES	\$ 807,736,222	\$ 692,223,709	86%
TOTAL DOD	\$366,431,600,561	\$226,981,263,785	62%

Table 2. FY 2010 new competition report (from DOD, 2011, p.4)

The general assessment by this report was that contracts involving installation, depot level maintenance, and/or construction achieved the highest levels of competition. Whereas the lower percentages of competition were from those contracts that bought major systems, services, specialized equipment, or spares and upgrades that may have needed to be purchased from the OEM or supplier.

Prior to the new competition report incorporating the fair opportunity data, Defense Manpower Data Center (DMDC) has developed a report that tracked and reported on the fair opportunity accomplishments. As displayed in Table 3, the source for the FY 2008 and FY 2009 fair opportunity statistics in the table are the PDI/DMDC reports utilizing “frozen data” as of January 06, 2010. The FY 2010 fair opportunity statistics is from the fair opportunity workflow in the new FPDS *Competition Based on Obligations Report*, as of January 7, 2011. Although the fair opportunity dollars given increased from 2009 to 2010, the percentages did not change since the exceptions to fair opportunity went up proportionality the same.

Year	Fair Opportunity Given	Exceptions to Fair Opportunity	Total Subject to Fair Opportunity Dollars	% of Fair Opportunity Given	% of Fair Opportunity Not Given
FY 2008	\$45,305,214,243	\$8,616,407,387	\$53,921,621,630	84%	16%
FY 2009	\$52,195,263,835	\$7,867,984,368	\$60,063,248,203	87%	13%
FY 2010	\$57,406,493,846	\$9,527,699,359	\$66,104,308,753	87%	13%

Table 3. Fair opportunity trend data (from DOD, 2011, p. 5)

The DOD fair opportunity achievements for FY 2010 was also broken down by various multiple award contract types, such as Federal Supply Schedule (FSS), GWAC, and by a multiple award task or delivery order contract awarded by another non-DOD activity. Table 4 shows this break down of the different multiple award contracts (MACs) and what the fair opportunity percent was in comparison.

	Total Orders Under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
Obligations	\$ 66,104,308,753	\$ 55,988,647,673	\$ 8,981,389,825	\$ 972,442,190	\$ 161,829,065
% of Total Order Obligations	100.0%	84.7%	13.6%	1.5%	0.2%
Fair Opportunity Given	\$ 57,406,493,846	\$ 49,703,896,981	\$ 6,727,419,229	\$ 844,076,954	\$ 131,100,682
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	86.8%	88.8%	74.9%	86.8%	81.0%

Table 4. Fair opportunity multiple award contract (from DOD, 2011, p. 5)

Although the obligation dollars in the GWAC contracts are not nearly as big as some of the other MACs, but the percentage of fair opportunity given is the second highest among the other types with 86.8 percent. Additionally, this report went on to say that there was an improvement from all of the different MACs from FY 2009 on all of the fair opportunity percentage. Figure 10 breaks down the number bids in a competitive contracts on from both the DOD and civilian agencies. The zero “0” bids in the civilian side may not necessarily accurate since the FPDS did not require civilian agencies to indicate the number of offers in the early FY 2010 timeframe. However, other than the zero bids, the percentages of the other number of bids seem very close on both the DOD

and civilian side. The FY 2010 figures will serve as the baseline for a new competition metric defined as “Effective Competition” in FY 2011. The following data was extracted from the FPDS on January 7, 2011.

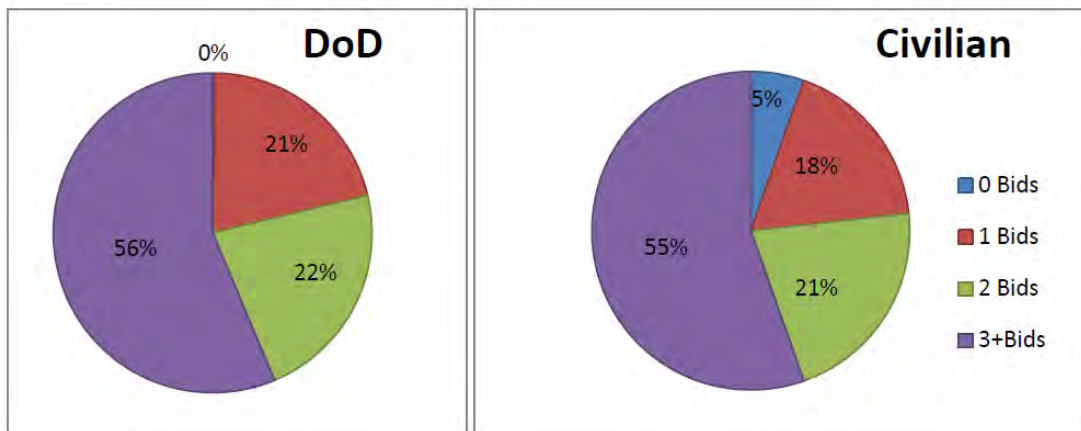


Figure 10. Offers on competitive awards (from DOD, 2011, p. 6)

Table 5 summarizes the non-competitive details in FY 2010. The total dollars not competed did increase, but only slightly from \$139.9 billion in FY 2009 to \$140.4 billion in FY 2010.

Total Dollars Obligated		\$ 366,431,600,561	% of Total Dollars
Total Dollars Competed		\$ 226,981,263,785	62%
Null Values for Extent Competed		\$ (968,567,663)	0%
Total Dollars Not Competed		\$ 140,418,904,439	38%
Orders with an Exception to Fair Opportunity	\$ 9,527,699,359	7%	3%
Contract Actions Authorized by J&A Authority	\$ 130,891,205,080	93%	36%
Breakout of Various J&A Authorities		% of J&A Authorities	% of Total Dollars
FAR 6.302-1 "Only One Source"	\$ 95,098,743,709	73%	26%
FAR 6.302-2 "Urgency"	\$ 3,824,804,520	3%	1%
FAR 6.302-3 "Mobilization, Essential R&D"	\$ 2,122,037,929	2%	1%
FAR 6.302-4 "International Agreement"	\$ 7,575,288,607	6%	2%
FAR 6.302-5 "Authorized or Required by Statute"	\$ 17,982,417,618	14%	5%
FAR 6.302-6 "National Security"	\$ 2,760,742,957	2%	1%
FAR 6.302-7 "Public Interest"	\$ 231,833,207	0%	0%
Not Competed Using SAP	\$ 1,076,840,287	1%	0%
Null value for reason not competed	\$ 218,496,245	0%	0%
Total	\$ 130,891,205,080	100%	36%

Table 5. Non-competitive details (from DOD, 2011, p. 7)

One interesting fact that is presented in this table is that it is consistent with GAO reports on the top two reasons under the “Breakout of Various Justification and Approval (J&A) Authorities” column why contracts were non-competitively awarded. The number one reason being the “Only One Source” referenced in FAR 6.302-1 and the second one being “Authorized or Required by Statute” referenced in FAR 6.302-5.

The findings of competition challenges and barriers as well as initiatives that components are exercising to increase competition are very similar to those that were described in previous GAO reports. In addition, the recommendation to the Defense Acquisition Executive is also very similar, which is to stress the importance of the role of the component competition advocate (DOD, 2011). Finally, the competition report stated the Defense Procurement and Acquisition Policy (DPAP) and DMDC partner with the component competition advocates to enable transparency and visibility in order to assist in any analysis of competition and fair opportunity achievements throughout DOD (DOD, 2011).

The 2011 DOD report helps determine the trend in competitive contracting. This data is utilized to determine if the BBP initiatives are making a difference. Is the DOD making headway in achieving effective competition and affordability?

2. DOD FY 2011 Competition Report

The *Better Buying Power* initiative focused on competitive contracting as a method to bring down cost and increase overarching equipment and services affordability. The Under Secretary of Defense for Acquisition, Technology and Logistics refined the definition of competitive contracting. One of Dr. Carter's *Better Buying Power* was to create real competition. The definition Dr. Carter provided for effective competition is "Market condition that exists when more than one offer is received in response to a solicitation issued using competitive procedures for the following contract actions:"

- a. Contract and purchase orders
- b. Orders and calls under part 13 Basic Purchase Agreement (BPA)/Basic Ordering Agreement (BOA)
- c. Government wide acquisition contracts and IDIQ contracts
- d. BPAs and BPA calls under Federal Supply Schedules, and single award IDIQs contracts and resulting delivery/task orders (Carter, 2010)

Figure 11 indicates there was a two percent (from 56 percent to 58 percent) increase from 2010 to 2011 in the DOD contracts awarded to three plus bidders. The contracts awarded to two bidders increase three percent from 22 percent to 25 percent and the one bidder contracts were reduced from 21 percent to 17 percent. This can be attributed to a combination of higher two and three bid contract actions. On the civilian contract actions, three bids increased from 55 percent to 58 percent, two bids increased from 21 percent to 22 percent, and the one bid remain the same at 18 percent. The significance in the comparison between 2010 and 2011 is that the zero bids decreased from five percent in 2010 to two percent in 2011.

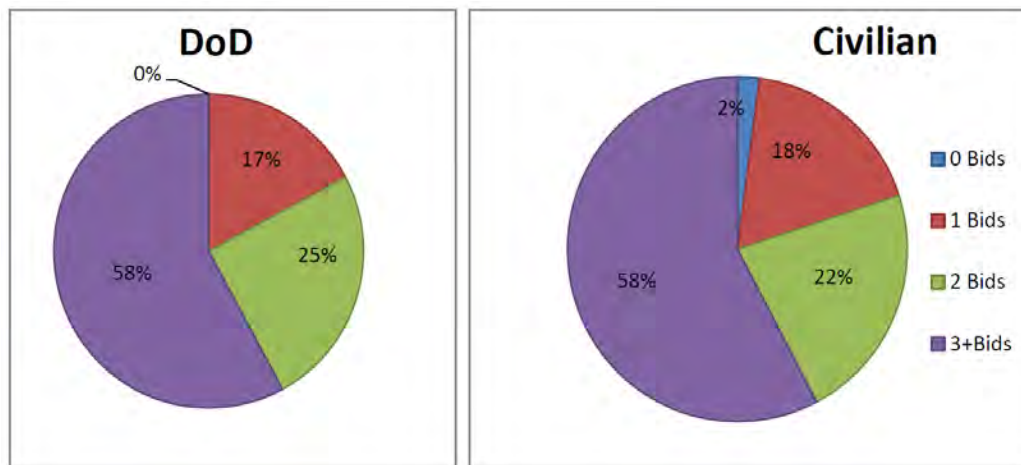


Figure 11. Competitive award (from DOD, 2012, p. 7)

Figure 11 provides a comprehensive pictorial of the level of competitiveness in the DOD and the civilian agencies. The zero percent in the DOD graph represents the contract actions (BOAs, BPAs, FSS, and GWAC) contracts that are not required to report the number of competitive offers.

The fiscal year 2011 DOD competition report is in alignment with the findings in the GAO report titled, *Defense Contracting—Early Attention in the Acquisition Process Needed to Enhance Competition* report (Woods, 2014). As reflected in Figure 12, the competition rate began to decline in 2009 and began to stabilize in 2012. This can be attributed to Mr. Frank Kendall’s *Better Buying Power* initiatives. The non-competition contracts have increased from 2012 through 2007. The non-competitive contract awards have been consistent from 2008 through 2011 (DOD, 2012).

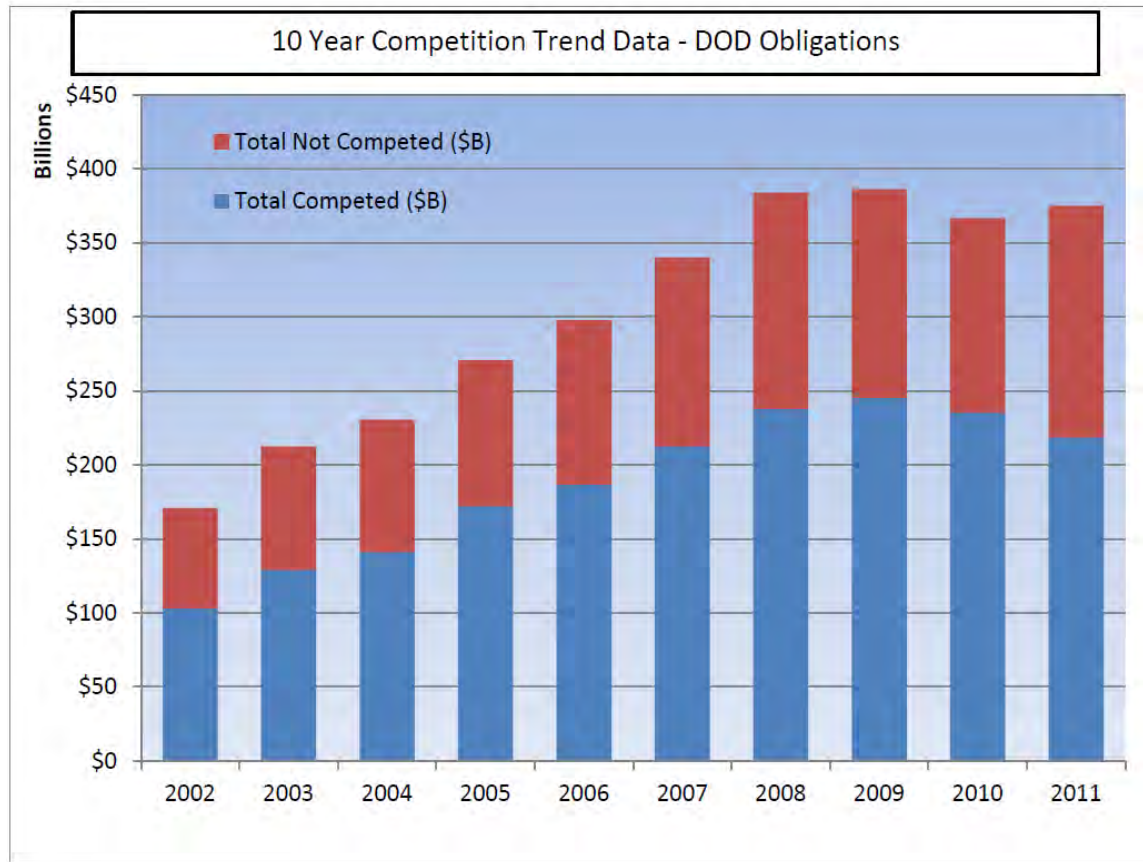


Figure 12. DOD competition trend (from DOD, 2012, p. 2)

The *Better Buying Power Memorandum* that Dr. Ashton B. Carter issued in 2010 had unprecedented impacts on the way the defense acquisition workforce awards contracts. Prior to 2010, the DOD did not do a good job of tracking overall contracting competition. In 2010, DOD began utilizing a new methodology to track competitive contracting. They began using the Federal Procurement Data System (FPDS). The goal of utilizing FPDS is to more accurately capture competition achievements on multiple award contracts (MACs) and federal supply schedules. Table 6 utilizes the FPDS data collection methodology.

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	\$ 125,146,349,006	\$ 78,492,670,222	63%
DEPT OF THE NAVY	\$ 105,423,539,438	\$ 50,266,407,480	48%
DEPT OF THE AIR FORCE	\$ 65,491,757,117	\$ 27,656,259,855	42%
DEFENSE LOGISTICS AGENCY	\$ 35,936,350,533	\$ 29,616,416,114	82%
BUSINESS TRANSFORMATION AGENCY	\$ 29,718,423	\$ 24,187,431	81%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	\$ 1,160,715,487	\$ 1,024,653,470	88%
DEFENSE COMMISSARY AGENCY	\$ 6,290,531,285	\$ 1,251,765,816	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	\$ (35,953,632)	\$ 141,065,585	-392%
DEFENSE FINANCE AND ACCOUNTING SERVICE	\$ 232,250,470	\$ 108,535,943	47%
DEFENSE HUMAN RESOURCES ACTIVITY	\$ 62,484,005	\$ 34,583,196	55%
DEFENSE INFORMATION SYSTEMS AGENCY	\$ 5,370,283,019	\$ 4,347,879,716	81%
DEFENSE MEDIA ACTIVITY	\$ 156,327,244	\$ 135,847,309	87%
DEFENSE MICROELECTRONICS ACTIVITY	\$ 836,345,363	\$ 667,611,352	80%
DEFENSE SECURITY COOPERATION AGENCY	\$ 60,256,365	\$ 48,984,376	81%
DEFENSE SECURITY SERVICE	\$ 81,158,201	\$ 79,340,005	98%
DEFENSE THREAT REDUCTION AGENCY	\$ 985,122,060	\$ 829,127,168	84%
DEPT OF DEFENSE EDUCATION ACTIVITY	\$ 313,004,446	\$ 286,417,723	92%
MISSILE DEFENSE AGENCY	\$ 5,382,146,534	\$ 3,482,140,669	65%
TRICARE MANAGEMENT ACTIVITY	\$ 11,776,822,826	\$ 10,624,771,272	90%
U.S. SPECIAL OPERATIONS COMMAND	\$ 2,638,881,215	\$ 1,742,659,928	66%
UNIFORMED SERVICES UNIV. OF THE HEALTH SCIENCES	\$ 54,701,869	\$ 22,065,472	40%
USTRANSCOM	\$ 7,236,913,372	\$ 7,210,404,759	100%
WASHINGTON HEADQUARTERS SERVICES	\$ 755,255,947	\$ 611,797,070	81%
TOTAL	\$ 375,384,960,592	\$ 218,705,591,932	58%

Table 6. FY 2011 overall competition report (from DOD, 2012, p. 3)

The 2010 *Better Buying Power* initiative also focused on measuring effective competition. The DPAP and DMPC collaborated to develop the Ad Hoc FPDS Report “Competed with Only One Offer” to accurately capture competition data and determine effective obligation competition. The results of this report are displayed in Table 7.

Contracting Agency	Total Completed Dollars	Only One Offer Competed Dollars	Effective Competition Dollars	Effective Competition
DEPT OF THE ARMY	\$ 78,492,670,222	\$ 15,529,560,601	\$ 62,963,109,621	80%
DEPT OF THE NAVY	\$ 50,266,407,480	\$ 11,083,595,555	\$ 39,182,811,926	78%
DEPT OF THE AIR FORCE	\$ 27,656,259,855	\$ 4,142,070,358	\$ 23,514,189,497	85%
DEFENSE LOGISTICS AGENCY	\$ 29,616,416,114	\$ 3,267,129,369	\$ 26,349,286,745	89%
BUSINESS TRANSFORMATION AGENCY	\$ 24,187,431	\$ 5,218,527	\$ 18,968,903	78%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	\$ 1,024,653,470	\$ 335,094	\$ 1,024,318,376	100%
DEFENSE COMMISSARY AGENCY	\$ 1,251,765,816	\$ 12,744,134	\$ 1,239,021,682	99%
DEFENSE CONTRACT MANAGEMENT AGENCY	\$ 141,065,585	\$ 64,110,929	\$ 76,954,656	55%
DEFENSE FINANCE AND ACCOUNTING SERVICE	\$ 108,535,943	\$ 31,380,688	\$ 77,155,255	71%
DEFENSE HUMAN RESOURCES ACTIVITY	\$ 34,583,196	\$ 5,324,213	\$ 29,258,984	85%
DEFENSE INFORMATION SYSTEMS AGENCY	\$ 4,347,879,716	\$ 1,122,047,794	\$ 3,225,831,922	74%
DEFENSE MEDIA ACTIVITY	\$ 135,847,309	\$ 5,366,251	\$ 130,481,058	96%
DEFENSE MICROELECTRONICS ACTIVITY	\$ 667,611,352	\$ 628,395,150	\$ 39,216,203	6%
DEFENSE SECURITY COOPERATION AGENCY	\$ 48,984,376	\$ 14,274,233	\$ 34,710,143	71%
DEFENSE SECURITY SERVICE	\$ 79,340,005	\$ 6,174,855	\$ 73,165,150	92%
DEFENSE THREAT REDUCTION AGENCY	\$ 829,127,168	\$ 141,399,926	\$ 687,727,242	83%
DEPT OF DEFENSE EDUCATION ACTIVITY	\$ 286,417,723	\$ 64,115,454	\$ 222,302,270	78%
MISSILE DEFENSE AGENCY	\$ 3,482,140,669	\$ 1,579,168,380	\$ 1,902,972,289	55%
TRICARE MANAGEMENT ACTIVITY	\$ 10,624,771,272	\$ (1,482,340)	\$ 10,626,253,612	100%
U.S. SPECIAL OPERATIONS COMMAND	\$ 1,742,659,928	\$ (15,980,913)	\$ 1,758,640,841	101%
UNIFORMED SERVICES UNIV OF HEALTH SCIENCES	\$ 22,065,472	\$ 2,873,818	\$ 19,191,654	87%
USTRANSCOM	\$ 7,210,404,759	\$ 339,557,916	\$ 6,870,846,843	95%
WASHINGTON HEADQUARTERS SERVICES	\$ 611,797,070	\$ 100,272,502	\$ 511,524,567	84%
Total	\$218,705,591,932	\$ 38,127,652,495	\$ 180,577,939,438	83%

Table 7. FY 2011 effective competition report (from DOD, 2012, p. 5)

Table 8 tracks the dollar amount and percentage given to fair opportunity, exceptions to fair opportunity, and total subject to fair opportunity in terms of dollars obligated. A one percent increase in fair opportunity given occurred between fiscal year 2009 and fiscal year 2011. The slow increase in fair opportunity given is somewhat expected because it takes years to change a paradigm that has been in place for many years.

Table 9 is data based on another DMDC Ad hoc report that identifies fair opportunity achieved by the various MACs. The figure breaks down the funding obligated and the percentage on DOD MACS, FSS, GWAC, and non-DOD MACs.

Year	Fair Opportunity Given	Exceptions to Fair Opportunity	Total Subject to Fair Opportunity Dollars	% of Fair Opportunity Given	% of Fair Opportunity Not Given
FY 2009	\$52,195,263,835	\$7,867,984,368	\$60,063,248,203	87%	13%
FY 2010	\$57,406,493,846	\$8,697,814,907	\$66,104,308,753	87%	13%
FY 2011	\$58,450,104,612	\$8,096,389,226	\$66,546,493,838	88%	12%

Table 8. Fair opportunity trend data (from DOD, 2012, p. 6)

	Total Obligations Under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
Obligations	\$ 66,618,541,914	\$ 57,061,009,748	\$ 8,062,411,696	\$ 1,093,451,279	\$ 401,669,191
% of Total Order Obligations	100.0%	85.7%	12.1%	1.6%	0.6%
Fair Opportunity Given	\$ 58,571,179,114	\$ 51,045,038,128	\$ 6,177,925,785	\$ 990,658,035	\$ 357,557,166
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	87.9%	89.5%	76.6%	90.6%	89.0%

Table 9. Fair opportunity by multiple award contract (from DOD, 2012, p. 6)

Five percent of funds not competed were orders with an exception to fair opportunity and 95 percent were contract actions authorized by justification and approval (J&A).

Table 10 breaks down the Federal Acquisition Regulations (FAR) cited why contracts were awarded on a noncompetitive basis. The total dollars awarded on noncompetitive contracts increased from 140.4 billion dollars in 2010 to 156.4 billion dollars in 2011. The top three FAR J&A reasons why full and open competition was not exercised 73 percent of the time was “Only One Source,” “Authorized or Required by Statute” was 12 percent of the time, and “Mobilization, Essential Research and Development (R&D)” was five percent of the time.

Total Dollars Obligated		\$ 375,384,960,592	% of Total Dollars
Total Dollars Competed		\$ 218,705,591,932	58%
Null Values and Report Delta		\$ 236,804,435	0%
Total Dollars Not Competed		\$ 156,442,564,225	42%
Orders with an Exception to Fair Opportunity	\$ 8,061,246,548	5%	2%
Contract Actions Authorized by J&A Authority	\$ 148,381,317,677	95%	40%
Breakout of Various J&A Authorities		% of J&A Authorities	% of Total Dollars
FAR 6.302-1 "Only One Source"	\$ 108,525,817,174	73%	29%
FAR 6.302-2 "Urgency"	\$ 4,894,250,499	3%	1%
FAR 6.302-3 "Mobilization, Essential R&D"	\$ 6,846,453,955	5%	2%
FAR 6.302-4 "International Agreement"	\$ 4,535,312,844	3%	1%
FAR 6.302-5 "Authorized or Required by Statute"	\$ 17,122,957,481	12%	5%
FAR 6.302-6 "National Security"	\$ 2,712,142,709	2%	1%
FAR 6.302-7 "Public Interest"	\$ 455,397,720	0%	0%
Not Competed Using SAP	\$ 3,046,352,457	2%	1%
Null value for reason not competed	\$ 242,632,838	0%	0%
Total	\$ 148,381,317,677	100%	40%

Table 10. Non-competitive details (from DOD, 2012)

3. DOD FY 2012 Competition Report

Although Figure 13 may seem to be a duplicate of Figure 10, the data tells a very different story. The purpose of the comparison between the 2011 and 2012 DOD report is to highlight the impacts that *Better Buying Power 2.0* is having on the defense acquisition contracting workforce. On Figure 10, the contracts with three or more bids increased from 58 percent to 61 percent, contracts with two bids remained the same, contracts with one bid decreased from 17 percent to 15 percent. A strong case can be made that based on the *Better Buying Power* initiatives that some of the one bid contracts migrated from one bid to the three or more bid category. On the civilian side, the percentage for three plus bids remained the same at 61 percent, the number of contracts awarded to two bidders decreased from 22 percent to 20 percent, and the number of contracts awarded with one bidder remained the same at 18 percent. A strong case can also be made that some of the contracts with two bidders migrated to the three plus category.

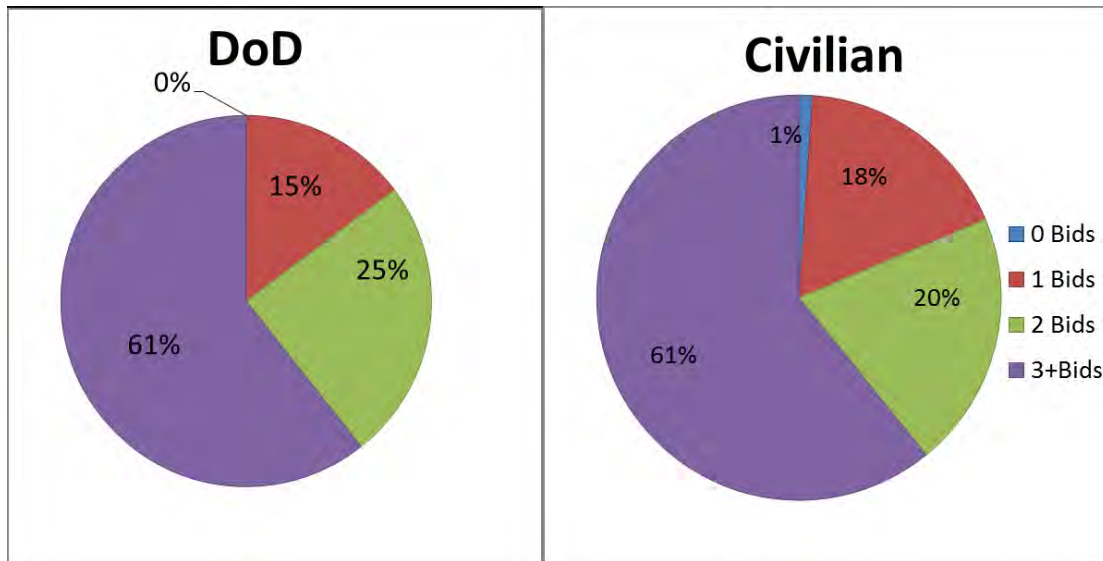


Figure 13. Offers on competitive awards (from DOD, 2013, p. 6)

The data in Figure 14 confirms that the *Better Buying Power* goal to increase competition is taking hold. Although the overall contracting dollars has decreased from 2010 to 2012, the percentage for fair opportunity given had a steady increase. In 2010 the fair opportunity was 85 percent, in 2011 it increased to 88 percent, and in 2012 the contracting dollars were significantly less than 2010 and 2011 yet the fair opportunity increased to 88 percent (DOD, 2013).

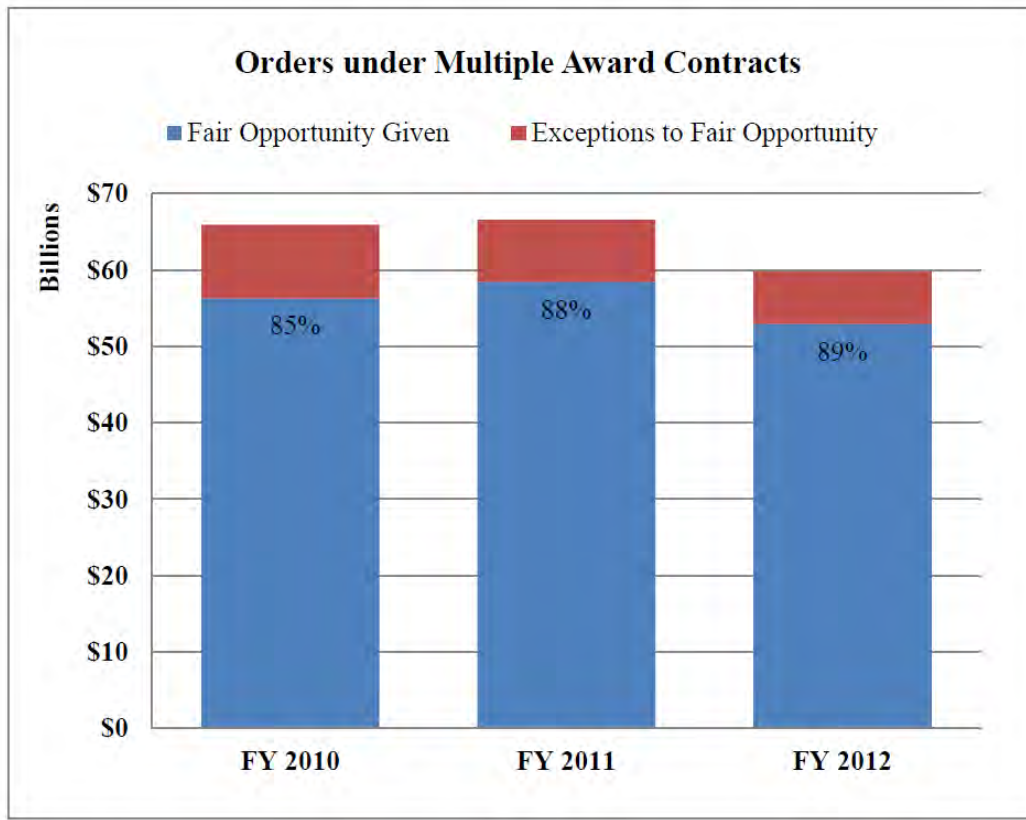


Figure 14. Fair opportunity trend data (from DOD, 2013, p.7)

Figures 15 and 16 are a consolidation of the 2010 DOD and civilian number of offers on competitive award dollars. As mentioned in the individual pie charts, the DOD trend for single bid contracts has declined between 2010 and 2012. The number of contracts with two bidders increased from 2010 to 2011 and remained constant between 2011 and 2012. The number of three plus bids has consistently increased between 2010 and 2012. On the civilian sector, the number of zero bids has declined; the number of one bid contracts has remained constant, the number of two bidder contracts has had fluctuation. The number of three plus bidders continues to increase.

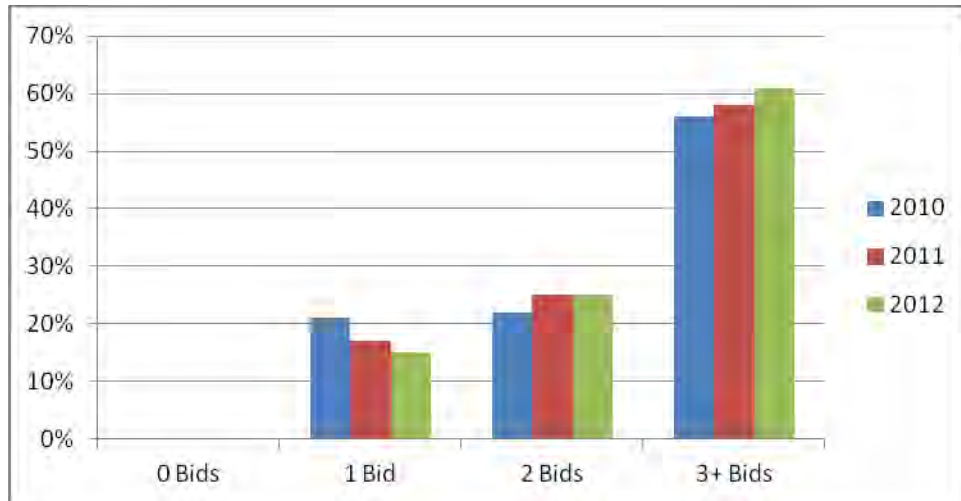


Figure 15. 2010–2012 DOD number of offers on competitive award dollars, (from DOD, 2013)

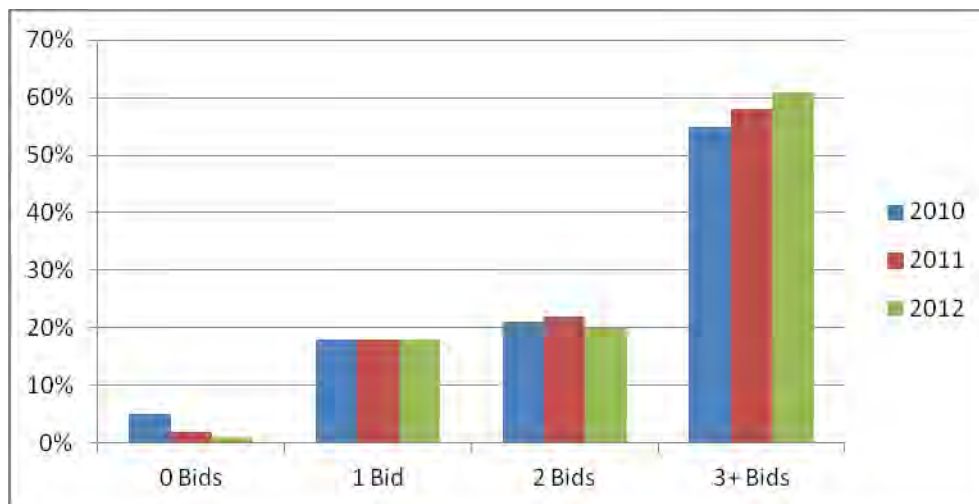


Figure 16. 2010–2012 civilian number of offers on competitive award dollars, (from DOD, 2013)

C. CONTRACT DATA

In an attempt to validate the contract and competition data cited in other reports, the authors gathered data from existing databases and electronic files from IT contracting agencies and product management offices. The contract sample size contained records from numerous DOD and non-DOD organizations.

1. Data Sample Summary

Data was gathered from 56 commodity and service contracts. Data was extracted from existing databases and electronic files maintained by GSA and an Army Acquisition Program. The sampled contracts contained 30 contracts for commodities and 26 contracts for services. The contracts were awarded either by the GSA or the Army Contracting Command (ACC). The contracts sampled were for requirements generated by information technology programs. If the contract was awarded by GSA, the data analyzed was the maximum allowable GWAC contract cost for the specific commodity or service versus the actual award contract after competition. If the contract was awarded by an ACC, the data analyzed was actual quotes from the vendors to determine the highest bid versus the actual contract award.

2. Distribution by Service

The sampled contracts originated from both DOD and non-DOD organizations. The distribution percentage per service and total contract value per service is displayed in Figure 17. The purpose of allowing data from multiple sources was to test if the cost savings remained constant across services and determine if cost savings was relative to total contract value.

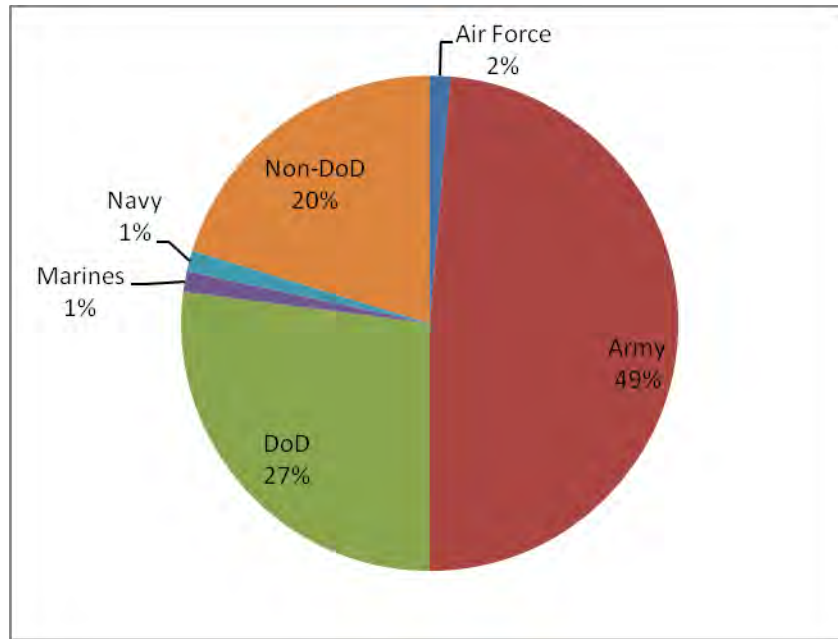


Figure 17. Distribution by service percent and total contract value (\$K)

As seen in Figure 18, 27 percent of the contracts sampled were for overarching DOD contracts (such as from the Undersecretary of Defense and TriCare Management Activity) whereas 49 percent were Army specific contracts and 20 percent were non-DOD contracts. The Army contracts only accounted for \$8.9M in total contract value despite being the greatest percentage of contracts sampled. The total contract value of the sampled contracts from the overarching DOD programs was \$744.5M.

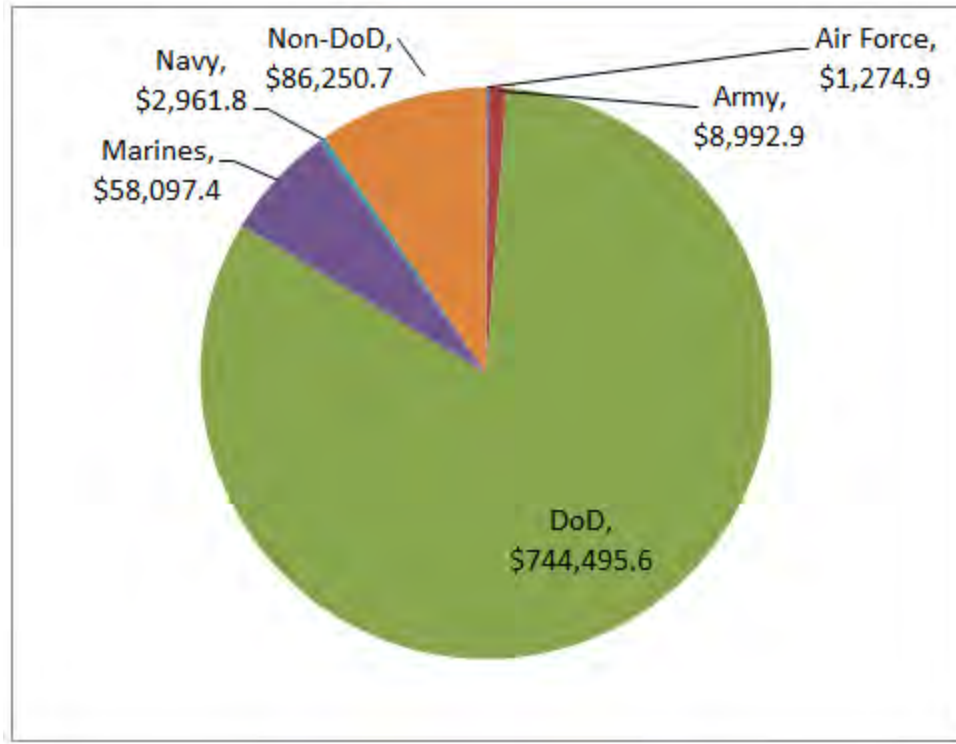


Figure 18. Dollar distribution by service, DOD and non DOD

3. Cost Savings from Competition

It was clear from the data pulled that the Federal Government and specifically the DOD achieve a cost savings through competitive contracting. For this specific data set, the cost savings averaged more than 20 percent. Table 11 provides the cost and saving data by service.

Service	# Contracts	Total Cost	Total Savings	Average Savings
Air Force	1	\$1,274,938	\$673,371	53%
Army	36	\$36,401,509	\$8,992,858	34%
DOD	20	\$744,495,571	\$126,828,605	21%
Marines	1	\$58,097,368	\$4,833,011	8%
Navy	1	\$2,961,838	\$676,151	23%
Non-DOD	15	\$86,250,674	\$11,908,632	23%

Table 11. Cost and average savings by service

4. Commodity vs Service Comparison

An analysis of the data sorted by commodity and service revealed that the contracts for commodities netted a greater cost savings from competition than the services. Specifically, as displayed in Figure 19, commodities averaged a 35 percent savings and services averaged only a 17 percent cost savings. Moreover, the maximum cost savings recorded for a commodity was 100 percent whereas the maximum cost savings for services was 67 percent. Of the 30 contracts for commodities, eight contracts yielded a cost savings greater than 50 percent. Of the 26 contracts sampled, only one contract reflected a cost savings greater than 50 percent.

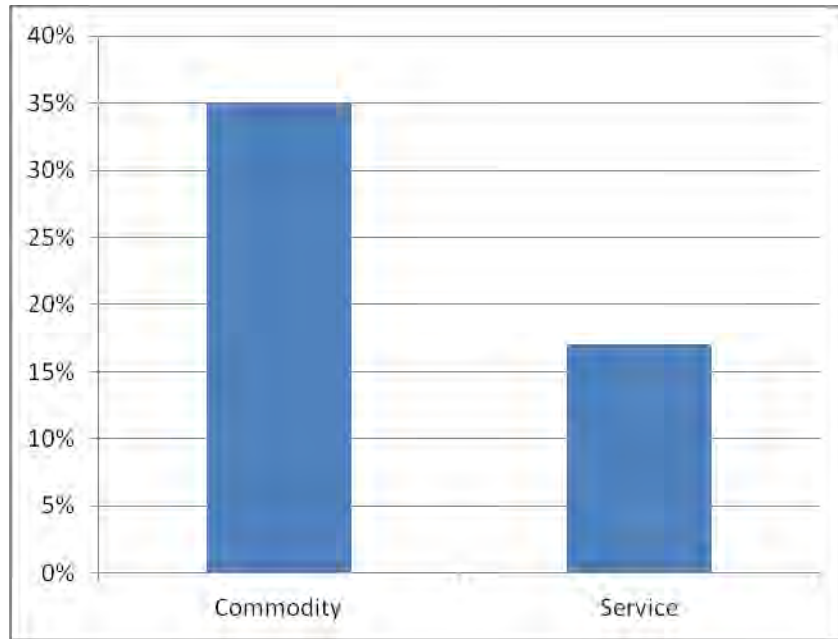


Figure 19. Average savings by commodity and service

D. SUMMARY

The GAO reports analyzed for this paper provided historical data and analyzed trends in Federal contracting. GAO 10-833 reported that non-competed actions decreased by 16 percent from 2005 to 2009 (Hutton, 2010); however, contracts competed with one offer received increased by six percent (Hutton, 2010). During the same timeframe, overall competitive contracting increased. While the federal government remains concerned about competition with one bidder, it is important to realize that these percentages are relative. As the percentage of competitive contracts increases, number of contract with one bidder will increase too. That being said, DOD considers competition resulting in only one bidder to be ineffective competition.

The GAO reports proved that the competition rate is fluid when broken into categories such as products, research and development services, and non-research and development services. The probability of competition increasing or decreasing is not consistent across the different categories. It would be interesting to perform a study to determine if history reveals trends in competitive contracting in war time versus peace time.

For the purpose of this paper, the researchers analyzed 56 contracts for agencies throughout the government. 80 percent of the samples were from DOD sources and 20 percent were from non-DOD services. The average cost savings of approximately 20 percent was consistent with both DOD and non-DOD services. Overall, commodities seemed to yield a higher cost savings than services.

IV. CONCLUSION AND RECOMMENDATIONS

It is evident from the sample data set retrieved for this project and the data reviewed in other studies, the federal government achieves an average of a 20 percent cost savings for competed contracts. In the specific data set sampled, commodities yielded a greater cost savings than services. We have determined that mandating and expecting organizations to average a 20 percent cost savings through competition is a reasonable and realistic goal.

Despite the cost savings achieved through competition, the GAO discovered that some DOD organizations reported a decline in the use of competitive contracting. This was often a result of a lack of access to proprietary technical data, reliance on technical knowledge of incumbent contractors, and insufficient contract lead time. Organizations can establish measures and processes to resolve some of these issues thereby allowing them to meet competitive contracting mandates.

To address the lack of access to proprietary data, government agencies can insert language into contracts that ensure the government has the rights to proprietary data. FAR Subpart 27.4 titled Rights in Data and Copyrights indicates that data rights clauses do not specify the type, quantity or quality of data that is to be delivered, but only the respective rights of the Government and the contractor regarding the use, disclosure, or reproduction of the data. Organizations should work with their contracting agency to utilize and reference the FAR and create specific contract language regarding proprietary data with the goal of including verbiage that allows the government the greatest access possible to data for their program. In instances where programs have been established with a reliance on systems and data that is proprietary to the vendor, organizations may want to mimic the Air Force's actions and determine if eliminating a specific program or system and initiating a new one would be a viable option and in the best interest of the government.

To help address the reliance on technical knowledge of incumbent contractors, it is recommended that government organizations create organizational structures that allow

for ample government oversight and transfer of knowledge. If an organization has a Subject Matter Expert (SME) function that is only filled by contractor personnel, this should be considered a single point of failure. It is recommended that organizations realign work and the organizational structures to ensure that government and/or military officials maintain an area of expertise in the field of interest. This is especially critical when the knowledge held by the contractor is critical to mission success.

To address the issue of inadequate acquisition planning, organizations need to establish a process for allowing ample contract lead time. It is recommended that organizations review contract requirements 16–24 months before products or services are required. An organization should do their best to develop, implement, and reference items that identify both short term and long term contract requirements. For example, an integrated master schedule would be useful in identifying recurring requirements. The IMS should be a living document that is changing as the organization and requirements evolve. Organizations should also leverage existing IDIQ contract vehicles offered by other government agencies and the GSA. These vehicles have already been competed against qualified vendors and ultimately reduce contract lead time and the overall risk to the program.

Finally, in an environment of shrinking budgets and increased mandates such as BBP, it is in the best interest of organizations to do their best to achieve efficiencies. Competitive contracting is a proven solution to helping achieve sustainable cost savings.

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